The Silver Question Reviewed

BY

AN INDIAN OFFICIAL.

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THE SILVER QUESTION REVIEWED.

Handbook of Gold and Silver: By an Indian Official; Longman's, 1878.
English and Indian Notices of the Handbook.
Money: By Professor F. A. Walker; Macmillan & Co., 1878.
Calcutta Review, July 1876.
Report of the United States Monetary Commission, 1877.

INTRODUCTION.

Our notice of the first book on our list may be brief. Its author is a curious psychological study. In the body of his work, he, assuming the badge of his tribe, expresses strong convictions, like all writers on currency questions; and he has written with an earnestness, and (say some of his critics) with a lack of logical arrangement, which are symptomatic of currency on the brain; yet, in finding a title for his book, he has modestly chosen one which describes more correctly the information that he has brought together in his Appendix, than the character of his own lucubrations, though his mind must have been full of them. But his modesty will not avail him much. It may be true, as stated by one of his critics, that "the amount of information brought together by an 'Indian Official' is enormous, whilst its condensed form offers the utmost possible facility for considering the statements in detail, and drawing conclusions from them." But this only brings into strong relief his incapacity to use his great store of information. Though he has written much, and has

brought together all the facts requisite for understanding the silver question, yet he has not advanced one whit its comprehension by his critics. The fault, of course, is not theirs; he has failed to convince them;—nobody agrees with him; and he will do well to stand aside, while stronger minds assimilate the food or facts which have proved too varied for his weak digestion. He must submit to our using his conclusions without any other acknowledgment than we may choose to accord,—that is, submit, like a goose, to be plucked of quills which have not been put to any intelligent use.

But he will not be left without consolation. Some critics who have not been at the pains to understand him, have been at pains to show that they do not understand the silver question. Others who know nothing of his book, but who understand the silver difficulty, have shown that they fear to understand the question to any practical purpose. There is a hollowness in their discussion of the subject, a fear to probe the question to the bottom, which, if it does not give an air of insincerity to their arguments for doing nothing (as those of persons who are hoping against hope that the price of silver will rise again, or that something must turn up), at least leaves a feeling in their readers that there is much mental reserve behind arguments which are inadequate, or are of a character too shallow to have satisfied, in their own minds, the eminent writers, political economists, and statesmen who seem content with such insufficient reasons why the world should do nothing or decide nothing about the silver question. The Committee on the depreciation of silver in 1876, the House of Commons in 1876 and 1878, and the International Monetary Conference at Paris in 1878, rose no higher in the great argument than this, with the natural result that they decided upon nothing. If the labour and thought bestowed on this silver question by the ablest men in Europe have brought forth nothing but wind, empty words, for those who eagerly expected salvation from perils too real

to be dissipated by mere platitudes, the author of the Handbook (goose though he be) need not be ashamed that he has failed, as yet, in doing something where others have done nothing.

Whether it is enough to do nothing, that is the question, and a thoroughly English question it is; for outside the British Empire every country, of any account in the present matter, has done something to avert the depreciation of its currency through the depreciation of silver. Is England alone, and always, to be singular, by abstaining from that which everybody else does? Eccentricity may sometimes be a mark of genius, but more generally it marks some weakness of mind or character.

England withdrew after 1860 from all concern in Continental politics,—that is, she withdrew the great influence which she had exercised since the past century, and since 1815, in maintaining the balance of power in Europe. Very wise reasons were given for her policy of thenceforth doing nothing in the comity of nations: the idea of a balance of power was divided. England felt assured that if she went on her peaceful, virtuous way, leaving the fighting countries in Europe to their own wicked ways, she would make money and they would not harm her;—rather, her example would make them turn their swords into ploughshares. Her optimism has resulted in the weakening of Denmark, Austria, and France, in a colossal Empire in Germany which (not Russia only) has dismembered Turkey, and in a reign of brute force on the Continent (resembling that of the barbarians of old) which has at last forced England to seek allies among European powers.

Once again. Her optimism found vent in a policy of masterly inactivity in Afghanistan, which, justifying its wisdom by a belief in Russia's lies and good intentions, believed that everything would come right, and Afghanistan would remain her fast friend if England abstained from guiding

Afghanistan. The baneful effect of this optimism on the finances of India we are beginning to feel.

And now, in this silver question, the same optimism, that everything will happen for the best, and that something must turn up to prevent England from doing anything, has actuated her in doing nothing for the past three years; while every other country of note, though less affected than India by the depreciation of silver, has done what was necessary to avert injury from itself. Verily optimism, with its invariable consequence, a do-nothing policy, has become the special weakness of England; and as we share the weakness with children, with immature minds, with profound minds which devise many reasons for doing nothing, from their seeing further into a millstone than their neighbours, and with persons of irresolute will who cannot see reason for doing anything, the quality is not flattering to our national character,—nay, it is dangerous to our national existence.

This miserable, weak optimism, like the soft mud against which cannon balls are harmless, has been proof hitherto against unanswerable arguments for demonetising silver; but like as the events of 1877 and 1878 have well-nigh extirpated the feeling in regions of politics not unconnected with Indian finance, so, it may be hoped, the feeling will also cease with the rapidly falling price of silver, which is supervening upon events that must largely augment the permanent military expenditure of the Empire, and upon the disclosure of a condition of the agricultural classes in India which awakens concern for both the economic condition and the finances of the Empire, inasmuch as these react upon one another more especially and intensely through their respective disorder.

Even the galvanic shock from the events of 1877 and 1878 failed to rouse England completely from the paralysis of her will,—that is, from her optimism. Soon she was felicitating herself that everything had come right without her having done anything, until Russia gave her a fresh rousing

by knocking at the gate of India, and bringing home to her that she must maintain her political supremacy by doing and daring, and not by ingenious devising of reasons why things must come about just as she wishes, by her observing the simple rule of doing nothing.

There is hope accordingly that England will now address herself, with resolute will, to the removal of the silver difficulty, which is not only injuring the economic condition and the finances of her Indian Empire, but is also aggravating the difficulties which she must soon face, in considering and relieving the condition of her own industrial classes, both agricultural and manufacturing. The remedy for the economic and financial disorder in India will also lessen the disorder which has to be remedied in England. Weighty matters, weighty questions like these, cannot be settled by an optimism which has only added to England's difficulties by inciting her to do nothing.

CHAPTER I.

PRICE OF SILVER.

The relative value of silver to gold has been-

1760 .	14·29	1840 .	15·61	1866 .	15·42
1775 .	14·62	1845 .	15·71	1871 .	15·58
1790 .	15·01	1848 .	15·85	1872 .	15·63
1805 .	15·14	1858 .	15·38	1873 .	15·92
1820 .	15·71	1861 .	15·50	1877 .	17·20
1835 .	15·79	1862 .	15·35	1878 . (11th Oct.)	18·50

In a table by Mr. Alex. Delmar, in page 67 of the Appendix to the Report of the American Currency Commission, the relative values of silver and gold are given for each year from 1760 to 1876. These figures, as taken from that table for every fifteenth year from 1760 (that is, without picking out values of particular years to prove a case), show a progressive depreciation of silver down to 1835, and a further depreciation down to 1848, with a slight interruption of the decline in two years between 1835 and 1840. After 1848, from well-known temporary causes, the price of silver rose; and from 1853 to 1864 the quotations were higher than they have since been, and higher than in any previous year since 1816. But at their highest, the relative value of silver to gold during this period was worse than in any year in the previous century, excepting the years 1793, 1794, 1797, and 1798, when silver was unduly depressed, through its expulsion from France by the French assignats, and from England by the suspension of cash payments.

2. Exceptions prove the rule; and silver's inability to regain, during 1853 to 1866, even the declining value which it had in the last century,—despite the exceedingly favourable conditions for its enhancement, which were afforded by the immense supplies of gold from 1849, and by the exceptional demand of the East for silver from 1853,—only attests its inherent tendency to depreciate, relatively to gold, as if through a perverse fate. Pursued by that inexorable fate, the price of silver has been lower since 1875 than in any former period of the world's history.

3. Presenting the same facts in a different form, we find that on 3rd August 1819, after the resumption of cash payments in England, the price of silver stood for a brief period at 62 pence an ounce, from which it declined in 1821 below 60 pence. From 1820 to 1836, the price varied between the extremes of $60\frac{1}{2}$ to $58\frac{3}{4}$ pence, with an average of $59\frac{5}{8}$ pence. During the greater number of the years from 1837 to 1848, the average was above $59\frac{1}{2}$ pence, and from 1848 the yearly average price has been as follows:—

From	1848 to 1852,	$59\frac{1}{2}$ to $60\frac{1}{2}d.$
,,	1853 to 1866,	$61\frac{1}{2}$ to $61\frac{1}{8}d.$
,,	1867 to 1872,	$60\frac{9}{16}$ to $60\frac{5}{16}d.$
,,	1873 to 1875,	$59\frac{1}{4}$ to $56\frac{7}{8}d.$
	1876 and 1877,	$54\frac{3}{4}$ and $52\frac{7}{8}d.$
	1878, on 31st August,	$52\frac{1}{8}d.$
	,, on 11th October	$51d.$

Compared with the range of prices from 1848 to 1852, or (say) with 60 pence an ounce, the depreciation on 11th October 1878 was 15 per cent.; compared with the range from 1853 to 1866, or (say) with $61\frac{1}{2}$ pence an ounce, the depreciation is 17 per cent.

4. It may help to place the depreciation before the Indian reader in a more striking light, if we remind him that the amount which the Government of India has to remit yearly for home charges has been assumed of late years at 15 millions

sterling; in the current year's Financial Statement provision is made for a remittance of 17 millions. The published details show that at least one million of this is abnormal demand; but they also point to the probability that the normal yearly demand in future may be 16 millions sterling, subject to increase, if the final settlement with Afghanistan should lead to a permanent increase of military expenditure.

5. Reckoning, however, upon only 15 millions sterling, the loss by exchange to the Indian Government on a yearly remittance of that amount is as follows:—

Exchange with rupee being	Price of silver, in pence, per oz. will be nearly	Equivalent in crores of rupees will be	Loss by exchange will be millions sterling.
$20\frac{1}{2}$ pence . .	53·2	17·56	2·56
20 " . .	51·9	18·00	3·00
$19\frac{1}{2}$ " . .	50·6	18·46	3·46
19 " . .	49·3	18·95	3·95
$18\frac{1}{2}$ " . .	48·0	19·46	4·46
18 " . .	46·7	20·00	5·00

that is to say, the loss on a remittance of 15 millions increases by nearly half a million sterling for every penny per ounce of decline in the price of silver, or by one crore of rupees for every penny of decline in the rate of exchange below 1*s.* $8\frac{9}{16}$*d.* per rupee. We have seen that silver has declined in price fully nine pence an ounce since 1848, or since 1873, and nearly eleven pence an ounce since 1862, in which year the average price was $61\frac{7}{16}$ pence per ounce. In 1873-74, the loss by exchange was one million sterling; the Financial Statement for 1878-79 provides for a loss of 3 millions sterling upon a remittance of 17 millions; with silver at $51\frac{5}{8}$*d.* pence an ounce, representing an exchange of (say) 1*s.* $7\frac{7}{8}$*d.* per rupee, the loss would amount to $3\frac{2}{3}$ millions upon a remittance of 16 millions; with exchange at 1*s.* 6*d.*, representing a price for silver of 46·7 pence per ounce, the loss would be $5\frac{2}{3}$ millions: the possibility of loss to this

extent, in a short time, is conceivable and probable; the possibility of British rule in India surviving, long, the additional taxation, and the attendant increase of military charges, which a loss of $5\frac{2}{3}$ millions sterling a year would involve, is inconceivable.

6. This possible immense loss by exchange, and its attendant ruinous taxation, give to the declining price of silver a grim reality, which must rebuke any theory about its cause that might deter the authorities from facing the fact boldly and providing a remedy.

7. In despair, the Silver Committee and others, two or three years since, clung to the bare possibility that the price of silver might rise again; but later events have dispelled any such hope. Thus, it was stated that the price of silver would rise in the following contingencies, *viz.*:—

I. From a net increase of Indian exports of merchandise, and from increased exports of silver to the East; both these have increased as follows:—

	Net exports of merchandise from India.	Exports of silver to the East.	Price of silver in London.
	Millions sterling.		Pence.
1872 . .	23	6·5	$60\frac{5}{16}$
1873 . .	21	3·5	$59\frac{1}{4}$
1874 . .	20	7·8	$58\frac{5}{16}$
1875 . .	19	4·6	$56\frac{7}{8}$
1876 . .	24	11·1	$52\frac{3}{4}$
1877 . .	24	17·0	$54\frac{7}{8}$

but the price of silver has steadily fallen to 50 pence;—the average for 1876 was disturbed by the exceptionally heavy fall to 47 pence in July. The increase of Indian exports follows upon a reduction of the price of silver instead of raising its value, so that the price will not rise again from this cause.

II. From a possible falling off in the production of silver in Nevada;—the Comstock Lode, it was said, would soon

be exhausted. Instead of that, Colorado's silver yield has increased since 1873 by 5 million dollars a year, and a further increase of 2 millions is estimated for 1878. "Colorado is becoming every day noteworthy as the place where silver is as plentiful as ever it was in Potosi." The production of silver in California and the United States has been as follows, in millions sterling:—

1871	4,40	1875	7,12
1872	5,15	1876	7,70
1873	7,15	1877	9,00
1874	6,06		

III. From the possible resumption of specie payments by the United States with a double standard. The Silver Bill has since become law. Silver, at an enhanced valuation with gold, is unlimited legal tender in the United States; while (as in France, in the countries of the Latin Union, and in Holland) the coinage is restricted within a fixed yearly amount, and is retained in the hands of Government. Yet, with these measures for enhancing silver, the people reject it. The Treasury of the United States loyally issues silver coin in obedience to the law, but the people as speedily return it to the public treasuries, thus bearing out the author of the Handbook who wrote in November 1877, that "there can be no doubt that the final decision of so practical a people as the Americans will be in favour of gold."

IV. From the possibility that only a small reserve of Germany's silver remained to be sold. Mr. Pietsch, who claimed to speak before the Silver Committee of 1876 with authority and knowledge, stated in July 1876, in correction of a higher German estimate of 20 to 22 millions sterling, that the silver then remaining to be sold amounted to only 13 millions sterling. The author of the Handbook (Appendix II, paragraph 49), reckoning the withdrawal of old silver currency to 31st August 1877, and the sales of silver by

the German Government to 31st May 1877, estimated the amount of silver remaining to be sold at 40 millions sterling. Deducting the subsequent sales to 31st March 1878, there remained for sale on that date 32½ millions sterling, or 29½ millions, plus 3 millions sterling of Austrian thalers. According to an official account quoted in the London *Bullionist* of 13th July 1878, the silver coin withdrawn to 31st March 1878 amounted to 970 million marks, and the sum remaining to be withdrawn was estimated at 400 million marks; total 1,370 millions, of which there had been re-coined 425 millions, and there had been sold to 31st March 1878, 450 millions; total 875 millions. Deducting this from the first-mentioned 1,370 millions, there remained for sale, on 31st March 1878, 495 million marks, or 24¾ millions sterling, according to the German estimates, which have always been too low, against 29½ millions sterling according to the Handbook.

Furthermore, the evidence in the Handbook (Appendix II, paragraph 20, and page 278*b*) establishes as a moral certainty that France has accumulated the vast amount of gold now in Paris with the express object of demonetising silver, and of declaring a single gold standard, as soon as, by the termination of the present Latin Mint Convention, she can disengage herself from a liability to withdraw with gold fresh importations of the silver coin of the other countries of the Union. France is now actually possessed of a gold currency, which, indeed, she has had since the expulsion of her full weight silver coin to the East from 1854 to 1865.

The same reasons which make it certain that England and Germany will not recede from their gold standard for the chimerical idea of a universal bi-metallism, and Prince Bismarck's blessing (*beati possidentes!*), will determine France to abide by the gold currency which she now enjoys. These considerations and the convincing proofs in the Handbook make it certain that France has permanently cast aside all

intention of resuming specie payments, with a double standard, or with other than a single standard of gold.

Thus, to the 30 millions sterling of silver which Germany had yet to sell on 31st March 1878, must be added the 40 millions sterling, or thereabout, which France will sell. In other words, the expectation entertained in 1875 and 1876 was altogether illusory, that in three or four years the depression of silver, through the sale of the cast-off silver currencies of Europe, might cease. The effect of the sales of Germany's silver has, moreover, been over-estimated. From 1872 to the end of May 1877, only 15 millions sterling worth had been sold, yet the price of silver fell from $60\frac{5}{16}d.$ to $54\frac{1}{5}d.$ an ounce; whereas, when Holland exported 14 millions sterling of gold, on demonetising it in 1850 and 1851, the price of gold in Paris fell only by $1\frac{2}{5}$ per cent., though the production of gold in those years exceeded that in 1848 by 5 and 6 millions sterling respectively, that is by more than 50 per cent., in each year.

V. Or, again (the spirit of Micawber, indomitable in its weakness, infects even strong minds), "there are possibilities," says the *Englishman* newspaper, "of a reversal in the proportion of silver to gold production,—possibilities upon which we certainly cannot reckon, but which we nevertheless cannot logically ignore in the statement of a categorical proposition, such as that all hope of a rise in the price of silver is centred in its exportation to the East." A reversal of the proportion of silver to gold production implies a larger production of silver, which would lower its price. On the other hand, if more gold and less silver be produced, the circumstance would not raise the price of silver, after cessation in the West of the coinage of silver as unlimited legal tender; it would only confirm the gold-using countries in their adherence to gold, and would thus keep down the price of silver. The writer in the *Calcutta Review* for July 1876 observed:—

"The new silver mines may, it is true, be exhausted sooner than has been anticipated, and a limit thus be imposed upon the fall; or fresh

gold mines, of equal or greater productiveness, may be discovered, and the value of silver thus be raised in relation to gold, at the expense of a yet greater degradation of the purchasing power of money generally. But these are contingencies upon which it would be unsafe to reckon, and which must not be allowed to affect our calculations. When Canute, in spite of the assurances of his courtiers, sought safety in retreat as soon as the waves of the incoming tide began to wash his feet, an earthquake in some remote region might have opened up a new bed for the ocean in time to prevent its overwhelming him. But Canute wisely determined to be guided by what he saw and knew, and not to trust for his safety to what he could not foresee."

VI. Once again:—chimes in the optimism which inspires the policy of doing nothing (we beg pardon, the policy of masterly inactivity, of which, in fields not unconnected with Indian finance, England is now reaping the fruits in Turkey and Afghanistan),—the countries of the civilised world may yet restore to silver some of the regions from which gold has expelled it. Unfortunately for this consolation, *beati possidentes!* England, France, Germany, the Scandinavian kingdoms, Portugal, Egypt, Australia, the United States (where gold is being freely used in payments, and silver is being as persistently returned to the treasuries), will retain possession of their gold currencies. The countries of the Latin Union and Spain must follow the French lead: Holland has broken away from silver, and is coining gold: Africa is producing gold: and of remaining principal countries in the West, Mr. Seyd writes:—

"So far Europe is closed against silver. The supposition that countries like Russia, Italy, Austria, and other paper-valuing States would absorb silver because it is now cheaper, has proved fallacious. If these States recover the power to resume specie payments, they will not use it for the acquisition of a metal falling in price, and thus tumble from one depreciation to another, but they will be bound to select gold. Only in the event of the adoption of a general bi-metallic system will they also take silver for legal tender money. This has been clearly recognised by the leading economists in Austria, Russia, &c., and, pending a decision by an international agreement on the point, the eventuality of being compelled to adopt the gold valuation is kept in view in these States."

The Handbook (Appendix II) confirms this view; it shows that Austria and Russia are being driven by the necessities of their position to coin gold in preference to silver, to borrow in gold, and to exact payment of customs duties in gold. Again, in the East, silver is being dethroned; Japan and the Philippine Isles have adopted a gold currency; and the depreciation of the silver currency in Java has been stopped by wise measures of the Dutch Government, which must end in the adoption of a gold standard. India alone sees no better way of applying the political economy of Europe than by keeping in the company of China,* that is, by linking her monetary standard with that of an effete civilisation which has learnt nothing, and has forgotten nothing, in the three centuries during which the production of gold and silver has changed the face of the world, and been itself revolutionised.

8. Hence the facts regarding the production of gold and silver, the price of silver, and the trade with the East, also the drift of opinion and deed in the countries of the West, in the past three years, should dispel the hope of silver ever rising again, which was fed by expectations that are now seen to have been illusory. Hence too, we note, as the conclusions established in this chapter, that—

a. Silver has steadily fallen in price,—even the drain to the East from 1853 to 1866 did not raise its price to that in the last century; and it has depreciated seventeen per cent. since 1862.

b. All the expectations cherished in 1876 that silver would rise again have failed, notwithstanding a great increase of Indian exports.

c. Have failed, because the United States, all Europe, and Japan, Java, and the Philippine Isles, in the East, have ceased to coin silver as principal currency.

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* Perhaps China would disown the companionship, since even she does not keep a mint open for giving to silver, in China, a higher value than it has in the West.

d. The amount of loss by exchange exceeds three millions sterling a year, for the Indian Government: it will soon attain to the rate of six millions a year. British rule in India might not long survive this increased expense, and its attendant increase of taxation.

CHAPTER II.

SILVER HENCEFORTH A SUBSIDIARY CURRENCY.

9. That three years should have been required to demonstrate the futility of expectations which were prompted by despair, only shows how the idea that both the precious metals must be promiscuously employed as principal money has become rooted in the experience of centuries; hence we do not realise that silver can ever become mere subsidiary currency. Anything but that!—the mind recoils from this conclusion to the alternative that the relative values of gold and silver will and must be re-adjusted somehow, and in such manner, that the few poor countries which use silver may yet doggedly persist, without ultimate impoverishment, in trading with the many countries which use gold, which regard silver "as merchandise or as tin," and which, for centuries, have known how to draw away the instruments of wealth, and the materials of well-being, from peoples of a primitive simplicity, a rude civilisation, or an incomprehensible whim, who cherish as precious things the baubles, or (silver) the cheap merchandise ("such as tin") of the West, for which they innocently barter their gold or valuable materials of well-being.

10. It is, however, the most natural thing in the world that, now, silver should be sliding generally into the position of subsidiary currency; and that, during the transition, it should part with the difference between its worth as merchandise for use in ornaments, plate, &c., and the superior coinage value which it acquired by the extension of its use as money, after

the wealth of the world, outside China, had outgrown the use of copper as principal money. The steady fall in the price of silver since 1873 only marks the course of this parting process. The separation of gold from the gilt Nevada silver is curiously emblematic of the withdrawal from silver of the coinage value which has hitherto maintained it at a relative value with gold beyond its intrinsic worth.

11. Before the discovery of America and its gold and silver mines, the principal consumption of these metals was for plate and ornaments, and that use determined their intrinsic worth. After those discoveries, the abounding supply of silver depressed its worth as merchandise, but created a new and greater use for it as currency, the demand for its coinage soon outstripping that for its use in plate and ornaments. To quote Professor Jevons' description of his "final degree of utility," it is "not the general usefulness of the whole of an object that regulates the degree of desire felt for it, but that of the portion to be next immediately supplied, *the wanted remainder.*" This *wanted remainder*, or the new demand of silver for coinage, having exceeded the old demand for it as merchandise, necessarily the coinage value of silver rose above its previous intrinsic worth, and greatly above the worth to which the augmented supplies of silver would else have reduced it as merchandise. Hence, the closure of the European mints against the coinage of silver for the public is stripping silver of the factitious or coinage value which it had acquired in the past three centuries; so that its price cannot rise again.

12. It will be instructive to trace, in a little detail, the extension and the decline of the use of silver as principal currency.

I. From before the downfall of the Roman Empire, until the discovery of the gold and silver mines in America, the produce of the precious metals fell off, and the stock of gold and silver remained small, insomuch that in the Middle

Ages copper was used as money. "From its higher cost of production copper very generally superseded iron, as the latter came, in the progress of the mining art, to possess a value for its bulk unsuited to the office of exchange; while silver was yet too rare and precious for the use of the humble classes. During the silver famine of the Middle Ages, copper again returned to be the principal and most valuable money in common circulation, silver and gold being found only in the cabinets of nobles and the caskets of bankers. The employment of copper as an actual money has continued down even to our own day, though we have seen it reduced to the less honourable office of small change."—*(Professor Walker on Money.)*

II. Corresponding to this scarcity of gold and silver, which limited their possession to the rich, was the distribution of wealth in those days, *viz.*, the absence of a middle class between the masses for whose needs, as measured in those days, a silver coin was so large that even a not quite poor man could not use it without exchanging it at a loss, and the nobles with whom, and with the church, gold and silver accumulated. Gradually, the classes of burghers, yeomen, and smaller landed proprietors bridged the interval; but, even among them, the progress of silver money was slow.

III. Only as, with the growth of a middle class, both rural and urban, wealth became diffused did the circulation of gold and silver extend. And at the same time, the circulation of silver as money accompanied the diffusion of wealth in the sixteenth and seventeenth centuries more quickly and generally than did the circulation of gold, from the double circumstance that, 1st, the supply of silver was then greater than that of gold; and, 2ndly, of those who, in the progress of society, rose above the masses, the numbers on small means preponderated over the comparatively few who gradually acquired large means.

IV. Hence, too, we may conclude that the general use of the precious metals as money revived first among the Italian

republics from their prosperous commerce, and not from the accidents of currency laws and of coinage; and that, later, we must attribute, to the more rapid progress of manufactures and of agriculture in England than on the Continent, the concurrent circulation of gold and silver in England even before 1717, when the rating of the guinea at 21 shillings, with a slight over-valuation of silver, caused its steady expulsion from the currency. To the like prosperity of their manufactures and agriculture may be ascribed the use of a gold currency by Holland in advance of the rest of Europe, and the partial expulsion of silver by gold in the United States, during the material progress of those States from 1834 to 1848.

V. During the three centuries from 1546 to 1848, the yearly production of silver exceeded that of gold. But with the gold discoveries of 1848 and 1851 began a new era in the production of the precious metals for the world's industry and commerce. The accelerated progress and diffusion of wealth were accompanied by corresponding supplies of new gold, with the result that the United States, France, the countries of the Latin Union, the Scandinavian kingdoms, and Germany (pretty much in the order of their material progress), displaced silver by gold in their currencies.

VI. Thus it appears that in the Middle Ages, when silver was scarce,—Europe's stock of gold and silver was small (33 millions sterling)—and the Western world was poor,—copper circulated as principal money in the mass of transactions. When that world grew richer, and silver, in advance of gold, became more plentiful, silver displaced copper as general money; and when the Western world waxed very rich, and its wealth overflowed in copious streams down the gradations of society, while nature beneficently speeded that material progess with much more plentiful supplies of gold than of silver, gold superseded silver as principal money.

These facts are plain to the commonest apprehension; are the theories for explaining them away equally simple?

13. Looking into the minuter details of the extension of a gold currency through Western countries, we find that if the augmented supplies of gold after 1848 subserved a development of wealth vaster than that in the preceding three centuries, on the other hand, the general diffusion of that wealth and prosperity, which permeated down even to the working classes, promoted the use of gold as common money, by enabling many millions to use gold who had previously used silver.

I. This is illustrated by the expulsion of silver by gold from the French currency during 1853 to 1866. We talk of Gresham's law, by which the cheaper metal expels the dearer from any metallic currency. No doubt it does; but this law alone could not have caused the replacement of about 150 millions sterling of silver coin by 150 millions sterling of gold coin. As pointed out in the Handbook, "the gold coinage from 1853 to 1864, when gold was expelling silver from the French currency, amounted to 4,784 million francs against a silver coinage of 4,538 millions from 1795 to 1852, during which period, or down to 1847, silver had been expelling or excluding gold." The bulk of the new coinage was in substitution for the old. As the 150 millions sterling of gold coins were, in number, one-fifth to one twentieth of the number forming the 150 millions sterling worth of silver coins which they expelled, the substitution could not have been effected if the greater part of the silver had not been in very much fewer hands than the number of silver pieces in circulation; that is, if the holders of the 150 millions sterling of silver coins had not become sufficiently well-to-do to be in possession, each, of many silver coins which they could exchange for more than one gold coin, and to use gold coins with at least the same convenience as silver coins. In other words, gold displaced silver in circulation among those who could

afford and would prefer to use it under the influence of that general prosperity which is attested by the prodigious increase of French commerce during that period. The substitution did not deprive the comparatively poor of any of their accustomed use of silver.

II. Similarly, Belgium, with her peasant proprietors and her commerce, is in the same prosperous condition as France: Switzerland has so completely naturalised gold in the daily transactions of her people that they regarded as a nuisance (Handbook, Appendix II, paragraph 10, section 2) a heavy influx of cumbrous silver coin from the other countries of the Latin Union: Italy is of no account in this matter, her gold and silver alike having been expelled by her inconvertible paper money: Holland, one of the richest countries in Europe, will not again relax her hold of the gold coins which her well-to-do people must regard as more than luxuries. In the United States, as already observed, the displacement of silver by gold was effected many years before the Civil War, at a time when all classes were generally prospering, and a great diffusion of wealth was proceeding.

III. How completely the material progress of the bi-metallic countries had prepared all, down to the lower middle class at any rate, to welcome and keep a gold currency, is evident from their passive acquiescence in the change from silver to gold, whilst they promptly stopped the coinage of silver for the public when the current changed, and the depreciation of silver threatened to displace gold by silver. Gold has become naturalised in the daily transactions of the people, and they will not relinquish it for silver. The late monetary conference at Paris could do nothing but register this decree of sovereign peoples.

IV. No one who can afford it will use copper coin if he can get and pass on silver coin, or will use silver coin if he can get and pass on gold coin. It was by the adaptation of gold to this prejudice or liking, through the general diffusion

of wealth and prosperity, and to this convenient serviceable use of it in daily transactions, that gold displaced silver as principal currency in the countries of the bi-metallic standard. The consent of political economists to the use of the more convenient metal, gold, in preference to silver was not asked; and the millions who, under the force of circumstances, arrived at a practical decision well fitted for their needs, will not revert to bi-metallism to please theorists.

V. But it was not prosperity alone which promoted the disuse of silver in bi-metallic countries. Some of them have been under a *régime* of inconvertible paper, which increases the disuse of silver by teaching people the convenience of notes of smaller denominations than gold coins. Indeed, the experience of England on the resumption of cash payments, of France during the past three years, and of the United States in the present year, shows that after a long protracted use of inconvertible paper, people retain a decided preference for paper, even over gold, for internal transactions.

VI. Thus, if, taking the world as a whole, we regard the career of nations as one of continuous prosperity, we find that as wealth has become more generally diffused, the use of silver has first extended in the earlier stages; while in the later stages, as wealth has continued to increase, the use of gold has extended in displacement of silver as principal currency. Or, again, if we regard that career as one of chequered fortunes, in which some of the nations have temporarily suspended cash payments, even then they have emerged from the state of inconvertible paper with a diminished use, or with a demonetisation, of silver.

14. The conclusions which we note, in this chapter, are that—

a. Though men are accustomed to regard silver as principal money, yet it is the most natural thing in the world that it should now slide into the positio n of a subsidiary currency.

b. Silver having ceased to be coined in the West, it is gradually losing the difference between its worth as merchandise and its superior coinage value.

c. This cessation of the coinage of silver in the West has only conformed to the progress of society and the course of the production of the precious metals. Gold and silver came into use as currency only as wealth became diffused; silver (of which the production was greater) extending (more generally than gold) in the earlier period when wealth was less diffused, and gold in the later period when wealth was more diffused, and when the production of gold came to exceed that of silver.

d. As gold subserved, after 1848, a development of wealth greater than in the preceding three centuries, so the diffusion of that wealth promoted the extension of a gold currency.

e. From the necessities of the case, *viz.*, the impossibility of the two metals circulating, as principal currency, in the same country, the extension of gold as currency has not added (to the extent of its gross amount) to the previous amount of metallic currency in the West; a very great part of the new gold currency has simply displaced silver; and that displacement of silver as currency has been increased by the extended use of paper money, and the prevalence, for long periods, in different countries in the West, of an inconvertible paper money, including notes of small denominations.

f. On the other hand, the many millions for whom the smallest denomination of gold coin is too large, and who in the progress of society have outgrown the use of copper money, have increased, and for them a large amount of subsidiary silver currency must be retained.

CHAPTER III.

UNIVERSAL BI-METALLISM—A DREAM.

15. Gold has superseded silver as currency in the West, from the force of circumstances, from the great development of wealth, accompanied by a far greater supply of gold than of silver, from its superior adaptation to the needs and the convenience of those who use it, and from the preference for gold to silver which every one has who uses gold. This being the case, and the logic of facts being irresistible, there is not the least likelihood, as evidenced by the decision of the late monetary conference in Paris, that the bi-metallic countries which have found gold so much more agreeable than silver, and which have placed the coinage of silver under restriction because they wish to keep their gold coins, will withdraw that restriction, and so part with their gold currency. They have the same instinct and common sense as the people of England and Germany, respecting so simple a matter as the preference of gold for transactions in which it answers just as well as silver, and better; and so, instead of relaxing, they will increase their present restrictions on the coinage of silver, until they reduce it to a subsidiary silver currency.

16. The distribution of the precious metals has now reached a point at which the world cannot utilise its supplies of both gold and silver, except by restricting silver to a subsidiary currency. It cannot restore silver to the footing of principal currency without discarding the use as money of that gold of which there is a far greater supply than of silver. For both silver and gold to be used as money, they must, 1st, be so used by a number of countries, near to one another and forming a group, such as Europe, of which group some would have silver, and others would have gold, as exclusive legal

tender; or, 2ndly, must be used as legal tender in the same country, as under a bi-metallic standard. Respecting the first condition, we have seen that by the force of circumstances, by the greater abundance, and by the superior intrinsic worth and acceptability of gold, it has superseded silver as principal currency in the chief countries, and has closed the mints against silver in all countries of Europe. Ye are wise men! judge ye whether with this history of the overspreading of gold over the currencies of Europe, there is the least likelihood that the Western nations can ever come to an agreement as to which of them should renounce the use of gold as money. But, unless they do agree, the supplies of both gold and silver cannot be utilised as money, without recourse to the second condition that several countries in Europe should adopt a bi-metallic standard. But this would make them silver-using countries, by the exportation of their gold under Gresham's law; that is, would reduce them to the condition which they have already declined by stopping the further coinage of silver.

17. It may be said that under each of these two conditions there is an alternative, *viz.*, under the first condition of a single standard, that silver should be for the East and gold for the West. The Handbook supplies a refutation of this doctrine which has not been answered; the balance of international settlements is paid in money in Europe, and whatever metal is recognised there as money must be the metallic money of the East. The theory of the transmission of the precious metals from one country to another admits of no other conclusion.

18. An alternative, under the second condition of a bi-metallic standard, is that each country which adopts this standard could retain both gold and silver in actual circulation as principal currencies, if all countries adopted that standard with a common relative value between gold and silver. If such a combination for keeping constant the coinage value of gold and silver were possible, still it would break down; the consequent immense depreciation of the two

metals would strip them of much of their present coinage value, and would cause the demand for them for plate and ornaments to determine their worth fully as much as the demand for their coinage. The diversities of cost of production, and of their worth as merchandise, and additional variations of local values of gold and silver, would work out a fresh separation of the world into gold and silver-using countries. Ye are wise men! judge ye whether countries which the irresistible logic of facts has confirmed in the preference of gold as the sole principal currency, will give it up for hazy abstractions of economists, simply to realise a dream of universal bi-metallism.

19. And even were universal bi-metallism possible, is it at all necessary or desirable? The facts of the production and distribution of gold and silver show that it is not.

I. The production of gold and silver, as given in the Report of the United States Monetary Commission, has been as follows, in millions sterling:—

	Gold.	Silver.	Total.	
1492 to 1599 .	44	128	172	
1600 to 1699 .	64	244	308	
1700 to 1800 .	224	372	596	
	332	744	1,076	American production.
1801 to 1851 .	192	273	465	Western World and Australia.
	524	1,017	1,541	
1852 to 1865 .	304	94	398	
1866 to 1875 .	211	109	320	

In the fifteenth to seventeenth centuries the supply of silver preponderated; this preponderance was maintained down to the first quarter of the nineteenth century, but with a rate of increase greater for gold than for silver. The increased production of the Ural mines brought the yearly supplies of gold (10 millions) and of silver (9 millions) to

about an equilibrium in 1848, after which the supply of gold outstripped that of silver.

II. Even during the fifteenth to eighteenth centuries the account was not so unfavourable to the gold supply of Europe as it appears on the surface of the preceding table. During the greater part of that period, gold was exported to Europe from the East, in exchange for the new silver from America. And, on the other hand, M. Chevalier estimated that more than 600 millions sterling of gold and silver, chiefly silver, had been exported to the East up to 1848.

III. Under these circumstances it was but natural that gold should make sensible progress in the West, though not such rapid or extensive progress as silver, in its use as money. Until 1848 silver was the currency of the Western world, except in England (where the gold currency at that time was estimated at about 40 millions sterling), in Holland (about 14 millions sterling of gold currency), and in Portugal and Brazil. In the United States, too, gold had been gaining upon silver, as money for large transactions between 1834 and 1848. In those States the metallic circulation in 1848, not wholly gold, was probably about 25 millions sterling. For 1861, before the Civil War, the amount, chiefly gold, was estimated at about 40 millions sterling. The actual circulation of gold money in the principal gold-using countries in 1848 was apparently within 100 millions sterling.

IV. Hence, in reading various estimates of the stock of gold and silver in the Western world in 1848, *viz.*:—

	Gold.	Silver.	TOTAL.
	(Millions	*sterling.)*	
Mr. Newmarch (in all forms) .	543	776	1,319
Mr. Seyd (in use in the world as money)	700	550	1,250
Mr. Horton (total stock in Western world in 1848) . . .	400	800	1,200
Dr. Soetbeer	...	...	584
Xeller (circulation in Western world in 1847)	200	320	520

we may (not, however, without *overstating the outside* amount) adopt Xeller's as an *extreme estimate of gold in* circulation. All beyond this outside estimate of circulation existed as plate, ornaments, jewellery, and works of art, or had been exported to the East.

V. From 1848 to 1875 the production of gold amounted to 588 millions sterling—an amount which, if added to the 520 millions sterling of outside metallic circulation in the Western world in 1848, would have produced all the evils of a redundant currency which had been feared by M. Chevalier. But the instinctive perception by commerce, and by peoples, of their actual needs, led to the *substitution* for silver, instead of the addition thereto, as money in the West, of the gold supplies since 1848. This it did by expelling to the East an amount of silver nearly equal to the gold supply since 1848 (Handbook, Chapter I).

VI. However violently economists may assert (for their reasoning is but dogmatic assertion) that upon the bare figures of the amount of the world's trade in 1848 and in 1878, the old stock of gold and silver in 1848, and the vast additions thereto since that year, are both required for the world's commerce,—the West and its commerce have found a much smaller and very different practical provision for their real needs, by displacing silver with gold, in their currencies, for other than small transactions.

VII. Self-reliant commerce finds its own special instruments of exchange for the bulk of its transactions, settling mere balances with gold; and even for the settlement of these balances it has been provided, through the growth of national indebtedness, with a new form of international paper currency, in the public stocks of indebted countries. The 15 millions sterling a year of India Council drafts also act like a yearly importation into England of that amount of money. The tribute from Java to Holland, and interest paid to England,

France, and Holland by foreign debtors have a like effect. Hence it has come about that very little of the augmented gold supplies since 1848 has been used as extra circulating medium for the prodigious expansion of trade since that year: the bulk of those supplies was more serviceably employed in replacing silver with gold in the currencies of the Western world.

VIII. That use of the extra supply, however, is now ended. Germany has coined much more gold than she required for withdrawing her silver coins and her circulation of small notes: France has accumulated many millions sterling of gold beyond her needs. These countries, instead of absorbing more gold, must soon liberate very many millions sterling of their existing stock.

IX. At the same time, the world's commerce, which, at its highest in 1871 to 1873, used but a small part of the extra supply of gold, has been declining since the latter year; and, on the other hand, the production of gold continues unabated, or is on the increase; it amounted in 1874 to 17·4 millions, in 1875 to 18·8 millions, in 1876 to 19·8 millions, and in 1877 the production in the United States was one million sterling more than in 1876. The yearly average from 1852 to 1875 was 21½ millions, including the exceptional and partly exaggerated yield from gold-washings in the first years of the gold discoveries in California and Australia:—practically the yearly supply of gold is unabated and on the increase. Improved mining laws are alone wanted to develope gold production in Russia, and the gold resources of Australia are unlimited, as elaborately shown by a late German writer.

X. But the principal use of that great supply of gold in the past 25 years, *viz.*, the replacement of silver by gold, has ceased, unless the work be continued in the East by the demonetisation of silver in India.

XI. If, then, from 1848 to 1877, that is, during a period of exceptional commerce, the chief work of gold has been to displace silver in the West, by expelling it from the East, we may conceive what disastrous effects would ensue from undoing the past, and causing the total yearly production of gold and silver to act upon prices in the West and throughout the world, in the existing depression of trade, and long after the great extension of various forms of paper money which commerce has utilised for economising the use of the precious metals. Its obvious effect would be to cause distress, throughout the world, to all on fixed incomes. But perhaps its first effect would be a great disturbance of local values of gold and silver, and a disorganisation of industry, by transferring much of it from articles of domestic consumption to other articles, in each country, which may respond more sensitively to the disturbed local values of gold and silver which influence the course of foreign trade. It would also change the change the character of the trade between different countries; that is, it would change the present course of trade. The similar changes brought about by the gold discoveries in California and Australia worked beneficially, because the new wants of miners, suddenly possessed of riches, gave a new impulse to commerce. No such impulse would be now supplied;—the changes from the disturbed local values we are now considering would simply enrich some countries and communities at the expense of others.

XII. The certainty of these evils, the ineffable peace of Prince Bismarck's blessing, *beati possidentes!* and the weighty reasons in paragraphs 10 to 14, are more than sufficient to make the bi-metallic countries abide by their gold currencies;—the amplitude of the gold supply, and the comparatively little use for it, unless a gold currency overspread the globe, give to those reasons an overwhelming force.

20. When the gold of California and Australia streamed on the civilised world, it had the option of rejecting the gold by

declaring a silver standard, or of using it concurrently with silver by making gold the principal and silver the subsidiary currency. The bi-metallic countries, by closing their mints against the coinage of silver, have ratified the world's common-sense decision to accept, on its own terms, the gold which will not brook a rival.

CHAPTER IV.

SILVER FOR THE EAST, GOLD FOR THE WEST: A DELUSION.

21. We may conclude, then, that the Western world has finally ceased to coin any more silver as principal money. The effect of this is to raise all the existing silver currency in the Western countries to gold value, thus correcting at once, for that currency, all the depreciation of silver in the past five years. Its further effect—were there no Eastern world—would be to cause an instantaneous relapse of silver from its coinage value to its bare intrinsic worth as merchandise, now additionally depreciated by an increase of supply. But the East being in a muddle about its currency, that end is not yet. India must encounter much peril and suffering while that result is being gradually reached.

22. We are mindful that England was once, as India is now, in the lunatic's, that is, in the Indian Official's position of being in a minority of one against the rest of the world. At that time, while England had a gold currency, the rest of Europe had a silver currency. But there was method in England's madness. For—

I. Before she adopted a gold currency, the principal use of gold was for ornaments, plate, and the arts; its use as currency in Europe remained secondary, even after England's adoption of it as money. Hence its intrinsic worth, as affected by the demand for it as merchandise, predominated over the coinage demand for it in determining its value relatively to

commodities. The purchasing power of gold was not greater in England, where it was legal tender, than on the Continent, where the mints, though not formally, were yet virtually closed against gold. England could readily discharge a debt to the Continent with gold bullion: 1st, because it was universally acceptable as merchandise for its esteemed intrinsic worth; 2ndly, because, as creditor to various silver coin countries on the Continent, England received their silver, and had the option of sending it to the Continental mints on any tendency to a fall in the relative value of gold. On the other hand, England could not lower the relative value of silver against the Continent, through her exclusive recognition of gold as legal tender, because the sellers of gold found their principal market not in the English mint, but among the European consumers of gold for plate, ornaments, &c.; while the purchasing power of silver was kept up by its general acceptance in the Continental mints for coinage.

II. In this way the relative value of gold and silver fluctuated within moderate limits, even in the past century, through the preponderating use, on the Continent, of gold as merchandise, and of the inferior silver as coin, while gold was coined in England. What little was lacking in these conditions for steadying the relative values of the two metals, was supplied in 1803 by the declaration of a bi-metallic standard in France. Thenceforward (1st) England was secure against any depreciation of gold abroad, below its purchasing power at home as currency, and (2nd) every fresh extension thereafter, of gold as currency in other countries, not only sustained its intrinsic worth, or silver price as merchandise, but created for it a new degree of utility, or the wanted remainder, which enhanced that intrinsic worth against silver.

23. Thus, in the period during which England was nearly alone in the use of a gold currency, at no time did the coinage value or purchasing power of gold in England exceed

its intrinsic value abroad. But the position of the East in its present minority against the Western world is different in every respect.

I. India has a silver currency, of which the value, relatively to the superior metal, was kept up at a high artificial level by a coinage demand for it all over Continental Europe and the greater part of America. While that lasted, the coinage value or the purchasing power of silver, in East and West alike, was neither inferior to, nor greater than, its uniform intrinsic worth as merchandise,—the latter, on the theory of utility, being raised to the artificial level. But of late years this artificial support to the coinage value or purchasing power of silver has been withdrawn in the West by the closure of the Western mints against it, and the purchasing power, there, of silver, as merchandise, has consequently fallen below its special purchasing power in India as currency.

II. By this decline of silver's intrinsic worth in the West below its purchasing power in India, it has lost in India the one cardinal requisite of perfect money which is thoroughly understood even by communities in a state little removed from barter (paragraph 40), *viz.*, that any substance which is used as money should have the same purchasing power abroad as at home.

III. Stability of relative value between gold and silver depended on equable local values, which, in turn, depended on an equable distribution of the two metals between the countries engaged in international trade. That condition of stability was suspended for a time; when the bulk of silver currency came to be heaped up in the East, and the local value of silver in India fell, from 1853 to 1867, in a greater proportion than any depreciation of gold which had been going on, in the same period (Handbook, Appendix IV). Later, it was destroyed when the closure of the Western mints against silver diverted afresh, and this time permanently, the whole stream of silver production to the East.

The sources of gold and silver production being in the West, the Indian Government, which would recoil from the idea of inflating its paper currency, deliberately surrenders to Western owners of silver mines the power of flooding India with this depreciated and depreciating silver, by its refusal to close the Indian mints to the public against the coinage of silver.

IV. India's great indebtedness to a gold-using country through which all other countries settle with her, disables her, in great measure, from acquiring gold for settling that part of her indebtedness which is not advantageously discharged by commodities. And even when this special disability does not prevail, India's use of a silver currency, of which the local purchasing power is greater than the depreciating intrinsic worth of silver abroad, prevents her from acquiring gold. While that depreciation in the West continues, and the Indian mints remain open for silver coinage, silver will be sent to India in preference to gold. It is being so sent now, not alone in settlement of debt to India, but as a profitable article of new merchandise for exchange against Indian commodities, with the result that this extra export of Indian commodities sells in Europe at a lower gold price, the reduction extending to even the old amount of Indian exports, and being provided out of the profits of the low exchange with sterling.

V. Thus India, with a silver currency which she cannot export to Europe, because it is of a coinage value greater than its intrinsic worth in the West, is in a position essentially different from England's when the rest of Europe used silver, while the coinage value or local purchasing power of England's gold currency was never above its intrinsic worth on the Continent. At the present moment the Secretary of State is not able to sell his drafts upon India, for meeting the Home charges of the Indian Government, except at a ruinous loss. India, however, is fully provided with rupees for meeting those Home charges, but the Indian Government

cannot send those rupees to Europe (though the silver in them was got from Europe), because silver is no longer coined for the public in European mints. The utter unfitness of silver for India's currency cannot be more strikingly exemplified.

VI. The cessation of coinage demand in the West for silver; the consequent withdrawal of the props of its heretofore artificial value there; the elevation thus of its local purchasing power in India above its intrinsic worth abroad; the consequent increase of imports of silver into India, and of Indian exports to the West, with the attendant lowering there of the gold price of Indian commodities, must result in a further depreciation of silver in the West.

VII. The Handbook (Appendix IV) shows that the prices in the West of Indian exports and of silver sustain, or drag down, each other, and that a high price of silver abroad, even with the European mints open to the coinage of silver, was only maintained for a time by abnormally high prices abroad of certain Indian commodities, owing to a special demand for them. In the present day, silver is falling in gold price from the cessation of coinage demand for it in the West. Hence, with Indian commodities continuously falling in gold price, through their increasing export against depreciating silver, and not against a special demand for them at the old or at higher prices, the Western or gold price of silver must continue to fall.

VIII. It must continue to fall, for the additional reason of the new competition with the Secretary of State's bills on India, into which the bullion dealers have been forced by the closure of the European mints against silver. While the European mints were open for the coinage of any amount of silver at the relative value of 15½ to 1, silver came to India only as supplemental to the Council drafts on India. But when the cessation in Europe of coinage demand for silver established a difference between its lower intrinsic worth in the West, and its coinage value or purchasing power in India,

the bullion dealers were compelled to seek in India an equivalent for their lost market in Europe. The rate of exchange on the Council drafts on India being determined by the price of silver in London, the bullion dealers offered their silver to the purchasers of those bills at a reduced price. In turn, the Indian Secretary of State had to lower his rate, so leading to a fresh fall in the price of silver. A competition, as in a Dutch auction, has thus been established between the bullion dealers and the Council drafts, which must continue until the value of silver in the West shall have been divested of all the artificial coinage value which it still retains, through the open coinage of silver in the Indian mints, and been reduced to its bare intrinsic worth as merchandise, through its degradation down to that level, in India, by the influx of incessant floods of silver from the West.

IX. While this fall in the exchange, and in the price of silver, proceeds, perforce increasing quantities of Indian exports must go forward at a diminished price for the whole mass of exports; that is to say, where quantities furnishing 150 millions of rupees worth of exports sufficed two years ago to pay India's yearly tribute of 15 millions sterling, additional quantities, furnishing 200 millions of rupees worth of those exports, may be required soon to pay the same amount of tribute; because the profit from a low exchange or the bounty on export has to be shared with the West, in reduction there of the gold price of Indian commodities, of which, accordingly, larger quantities are required to make up the old amount of gold value or tribute.

24. The conclusions which we may note in this chapter are that—

a. India's currency is on an unsound footing, because, with a considerable yearly debt or tribute to the Western world, she uses a silver currency, while the West, though holding the silver mines, has closed its mints against the coinage of silver.

b. England was once in a seemingly analogous position, when she had a gold currency, while the chief countries on the Continent had a silver currency.

c. But when England was so circumstanced, the coinage value of gold in England never exceeded its worth as merchandise on the Continent.

d. With India it is different: the coinage value or purchasing power of silver in India exceeds its value abroad; silver has thus lost the main essential attribute of money; and how serious is that disadvantage is shown by the inability of the Government of India to send to England for its Home charges the silver which it received from Europe, whilst the Secretary of State for India is not able to sell his bills on India except at a ruinous loss.

e. The excess of the coinage value or purchasing power of silver in India, over its depreciated worth as merchandise in Europe, operates like a bounty on Indian exports, with the result of sending additional quantities of exports to the West to pay, at a depreciated gold price, the old amount of indebtedness.

f. It also turns to the East the stream of silver production which finds no market in Europe from the closure of the European mints against silver, with the result of depreciating the silver currency in India.

g. Thus, India suffers under the double evil of a currency which is depreciating at home, and of a depreciation of her exports abroad, in gold price, through the depreciation of silver.

h. The gold prices of Indian exports, and of silver, in the West, sustain or drag down each other. From 1861 to 1867 the special demand from the West for Indian cotton and jute kept up the gold price of exports, and of the silver which was required to pay for them;—in 1878, the discontinuance of silver coinage in the West has lowered and is dragging down the price of silver wherewith the West buys, at a diminished and diminishing gold price, Indian exports which, no longer sustaining, are dragged down in the West by the falling price of silver.

CHAPTER V.

SILVER FOR THE EAST, GOLD FOR THE WEST: A SNARE.

25. At the risk of repetition, we must discuss the doctrine that silver may remain the money of the East after gold has become the money of the West, because the trade between the East and West is of commodities against commodities, the metallic medium of exchange having no more effect on the trade than simple counters.

26. The propositions in support of this doctrine are—

I. That the trade with the East consists of x, or equivalent commodities on each side, plus y, or extra exports of commodities from the East to provide the equivalent of its yearly gold debt to the West.

II. It is held to be immaterial to this exchange of commodities that the relative value of silver to gold should be unstable; for the quantities of commodities which exchange as equivalents will remain unaffected by that instability, so long as silver and gold are kept stable relatively to commodities, in the East and West respectively, by their continuing as money in their respective spheres, the relative value of silver to gold being distinct from that of silver to commodities.

III. Gold and silver will remain stable relatively to commodities while they continue as money. But if silver be demonetised, thus throwing on gold the function of money in the East as well as in the West, gold will rise relatively to commodities; that is, prices will fall, including those of the extra exports (y in I), wherewith the East pays its yearly gold debt to the West; and additional exports, y, must provide that amount of gold debt.

27. The first proposition is one of those abstract conceptions which mislead writers on the silver question; it has no foundation in facts. If commodities exchanged, pure and simple, against commodities, foreign trade would collapse; for, without the precious metals to measure prices in different countries, merchants could not tell whether an export of commodities from producing countries would be remunerative. So long as the precious metals intervene, both their local values and their relative value powerfully affect trade. The expansion of Eastern exports to the West, from 1854 to 1866, was much stimulated by the drain of silver to the East, which both caused, and in a great measure was promoted by, a disturbance of the local and the relative values of gold and silver. With the statistics of trade before him, no one can say that commerce between East and West during that period was a simple interchange of commodities. There was a large residuum of transfer of some 200 millions sterling worth of silver and gold to the East, and of an equivalent of commodities to the West, and the great effect of this transfer on the exchange between sterling and the rupee forbids any assertion that the relative values of gold and silver were independent of the extra export of those 200 millions sterling worth of Eastern commodities.

28. The middle proposition in paragraph 26 is also a mere abstract conception in a branch of enquiry which has not yet attained to the dignity, or to the solid footing, of a science; *viz.*, that gold and silver in their respective spheres are stable relatively to commodities. In connection with foreign trade (with which alone we are now concerned) this may mean (and the fallacy pervades the three propositions) that the values of silver and gold relatively to commodities in East and West respectively vary in uniform proportions, so far as the changes are caused by the fluctuating total yearly production of gold and silver. In this sense the proposition is not true; it omits all count of the disturbance of local values by the unequal dis-

tribution of that total production between East and West, and it is contradicted by the depreciation of silver in the East, greatly beyond the depreciation of gold in the West, in the period from 1854 to 1866 (Handbook, Appendix IV, page 331). In another sense the proposition may mean that as the precious metals are durable, whilst the commodities whose value they measure are perishable, the value of gold or silver relatively to commodities is affected less by an increase or decrease of production of the precious metals, than by an increase or decrease of the supply of commodities. In this sense, however, the proposition has but slight significance in foreign trade, apart from the difference in the local values of gold and silver in different countries.

29. This diversity of local values of gold and silver in different countries is overlooked under the influence of the fallacy that the value of gold and silver, measured against commodities, is determined by the cost of their production, and that accordingly it cannot materially vary in different countries, the cost of transport of gold or silver to any country being small.

30. It is not perceived that—

I. Each country, not possessed of gold or silver mines, obtains its gold or silver according to the greater or less efficiency of its own labour; that is, according to its ability to produce, with a given amount of labour, articles of desire, more in quantity, or greater in value, than the same amount of foreign labour can produce. Hence, the country which has the greatest efficiency of labour will obtain from abroad all the articles, including gold and silver, which it needs at less cost of labour than other countries. And, conversely, countries in the East whose labour is least efficient will obtain their gold and silver at greater cost of labour than other countries.

II. To state the matter differently. In foreign trade an imported article exchanges, not according to the industrial cost of its production (as supposed in the fallacy), but accord-

ing to the industrial cost of production of the article which is given in exchange for it. Thus, in England, labour being efficient, and the industrial cost of production low, articles of a low cost of production are exchanged for gold; that is, gold is obtained cheap, and its value is low. In India, on the other hand, labour being inefficient, and the industrial cost of production high, necessarily articles of a high industrial cost of production are exchanged for gold and silver; that is, India buys her silver dear, and its normal value in India is high. This lesser efficiency of labour in the East, compared with that of labour in the West (that is, this normal high value of silver, and normal low price of labour and commodities, in the East), has caused the incessant flow of the precious metals to the East. It explains, also, how silver, after having locally depreciated, through the great importations of it into India from 1854 to 1866, appears to have been appreciating since in the country; the normal local value of the precious metals being high in India, because labour is not so efficient as in the West.

III. England and India present about the extremes of high and low efficiency of labour. Other Western countries fill intervening places in the scale of that efficiency; that is, the local values of gold and silver in divers countries are as diverse as the efficiency of their labour.

IV. The difference in the efficiency of labour is manifested in the difference in wages, while the difference in the local values of gold and silver is exhibited in the difference in prices of commodities in the various countries; and this difference in the local values of gold and silver in various countries regulates foreign trade.

31. But while the greater or less efficiency of labour is the normal cause of the difference of local values of gold and silver, it does not exclude the action of an extraordinary cause, *viz.*, a change in the distribution of the precious metals, as brought about either by an increased production, say, of

gold, or an extensive disuse as money, say, of silver. Examples of the operation of these two irregular causes of an unequal distribution of the precious metals which affects local values are seen, 1stly, in the exceptional drain of silver to the East up to 1866, when gold was substituted for it in the West, and again in the second drain of silver to the East since 1876, from the cessation of silver coinage in the West.

I. The normal cause of the difference in the local values of gold and silver keeps their value high in the East, whilst the exceptional or irregular causes just mentioned brought down the local value of silver in India. The influence of the normal cause was seen in the low price of agricultural produce in the East until 1853 (or the beginning of the drain); and again in the declining prices of that produce from 1867 to 1876, or during cessation of the drain of silver to the East; while the action of the irregular cause was manifested in the high prices which obtained in India during the drain until 1866, and in the advance of prices since the revival of the exports of silver to the East after 1876.

II. But throughout the operation of the normal cause, *viz.*, the lesser efficiency of Eastern labour, and of the irregular cause, *viz.*, the unequal distribution of the yearly supply of gold and silver until 1866, and after 1876, there remained a real difference between the local values of silver and gold in the East, and of silver and gold in the West.

III. Certain incidents of this difference in local values of gold and silver in the East and West, in the two periods, were indeed dissimilar. Silver in both periods, *viz.*, down to 1866, and in 1876, had indeed a higher value in India than in Europe; yet, relatively to gold, it appreciated in the first period from a special demand in the West for Indian commodities, with which, as yet, the price of silver is linked; while it depreciated in the second period from the cessation of coinage of silver, that is, of demand for it in the West.

In the first period, there was a special demand from abroad for Indian linseed, jute, indigo, cotton, at necessarily a higher gold price; that is, Indian labour became more efficient. Since 1876, however, Indian exports have increased, not from a foreign demand at a higher gold price, but from a foreign consumption that has been stimulated by a lower gold price, which the lowered exchange of the rupee with sterling has induced. In the first period a greater efficiency of labour, and an advanced price of silver abroad, accompanied the rise of wages and of prices in India; in the second period, on which we have entered, a falling price of silver, and a falling gold price of Indian commodities, in the West, that is, diminished efficiency of Indian labour, accompany the new influx of silver into India (for purchase of commodities for the West at a lower gold price), which will raise prices and wages in India by depreciating the silver currency.

32. Thus far we have ascertained that (*a*) the local values of gold and silver in the East and West differ according to the greater or less efficiency of their labour; (*b*) they additionally differ from the unequal distribution of the yearly production of gold and silver, which, alike in the second (or present) as in the first drain of silver to the East, must raise prices and wages in India, while (unlike another incident of the first drain) the efficiency of Indian labour, and the efficiency of purchasing power of the silver to which Indian labour is now linked, must continue to decline in the West. Falling prices of Indian commodities in Europe, and diminished efficiency of Indian labour and Indian money abroad, are the incidents of the second drain of silver to the East which distinguish it from the first drain, and create the special danger of rising prices and wages in India, unaccompanied by a corresponding rise of gold prices of Indian commodities in the West. We may profitably consider this for a little while:—

I. The efficiency of labour is increased when a day's labour produces a greater quantity of a customary product,

or a more valuable product, or (which comes to the same thing) when the old quantity of the customary product fetches more money which is not wholly neutralised by greater charges of production. This last happened when the gold price abroad of Indian commodities was raised down to 1867.

II. Conversely, labour, though continuing to produce in a day the same quantity as before, becomes less efficient when the day's produce fetches less money, and the falling off is not wholly neutralised by less charges of production. This is happening now, when the gold price abroad of augmented Indian exports is diminishing, through the bounty on them (provided by a falling exchange) which, in the form of the lessened gold price, is shared with the foreign consumer.

III. Similarly to I, the efficiency or purchasing power of silver was increased when the original demand for it as merchandise was supplemented by a much greater coinage demand through the extension of a silver currency over the Western world. It was further augmented, that is to say, the efficiency of both silver and Indian labour was sustained and strengthened, by the increase of Indian exports to the West, at a higher gold price, down to 1867, and with a consequent augmentation of the aggregate of silver payment which the West had, on the balance of the account, to discharge with gold.

IV. Conversely, the efficiency or purchasing power of silver in the West was reduced, when the supplemental or currency demand which had come to be the principal demand for it ceased with the closure of the European and United States mints against coinage of silver for the public. It was further diminished, that is to say, the efficiency of both silver and Indian labour was reduced, when the augmentation of the Council drafts on India brought her silver currency into competition, in London, with the silver of Nevada and Mexico, at the rate of 15 millions sterling a year, with a depressing effect, which has augmented every year, as the

exports from India, at a diminishing gold price, have increased under the stimulus of the low exchange on the Council drafts, and of the falling price of silver.

V. Like as silver is being stripped, by the cessation of its coinage in Europe, of the factitious value which it had acquired as currency in the West, Indian labour is being stripped of the adventitious efficiency which it had gained, in foreign trade, from the advance in gold price of cotton, jute, linseed, tea, &c.,—which advance is now entirely lost for cotton.

VI. The depreciation of silver in the West is both lowering its local value in India, and reducing the efficiency for foreign trade of labour in India, notwithstanding that (nay, because) silver continues as principal money in the East. With the sudden cessation of coinage demand for silver in the West, its purchasing power there is much less than its local value or purchasing power in India. Thereby silver has become a remunerative export to the East, in exchange for additional exports of Indian commodities, to the lowering abroad of the gold price of those exports. And thus the evil which, it is apprehended, would be brought about by the supersession of silver by gold, as money in the East, *viz.*, an increase of Indian exports (*y* in I, paragraph 26), for paying the old amount of gold debt, is already happening through the continuance of depreciating silver as money in the East.

33. Thus we see that (*a*) India, from the low efficiency of her labour, must at all times obtain her gold and silver at a high industrial cost:—(*b*) heretofore, until 1867, Indian labour and Indian money had a factitious efficiency abroad; but now (*c*) the efficiency of Indian labour and of Indian money in foreign trade is lessening abroad through a fall of the gold prices of Indian commodities and of silver; while, at the same time, (*d*) the local value of silver must fall in India; that is, wages and local prices must rise, while the gold price abroad of Indian exports will fall. On the surface there is a seeming contradiction between *a* and *d*. If (as is the fact)

India obtains her precious metals at a high industrial cost of production, the normal value of the precious metals in India must be high, under the condition in *a*;—how, then, can it be said that, under the condition in *d*, the local value of silver will be low in India from the effect of its second drain to the East? Nevertheless, both propositions are true. The metal which India, at a high industrial cost of production, directly buys in the West with her merchandise is gold, of which she gets less and less every year, for Indian commodities, thus conforming to the condition *a*. It is the incidental exchange of that gold into silver which floods India with the silver that is lowering the local or Indian value of silver, at the same time that India still buys her precious metals at a high industrial cost. Thus, the seeming contradiction between *a* and *d* only brings into strong relief the unfitness of silver to continue any longer as money in India.

34. We have now ascertained that—

a. India obtains her precious metals at a high industrial cost owing to the low efficiency of her labour. This will always keep at a high local value in India the gold for which in the final result, and not for silver, India sells in the West the commodities with which she obtains the precious metals.

b. Indian labour acquired extra efficiency in Western markets while the price of silver was high; it is losing that extra efficiency because the gold price abroad of Indian commodities is being dragged down by the falling price of silver.

c. At the same time, wages and prices in India must rise, though the gold price of Indian commodities abroad must fall from the decline in the relative value of silver to gold which is in rapid progress, and from the increasing quantities of Indian commodities which must be sent forward for the old amount of India's debt to the West.

d. In short, Indian labour being inefficient, a high industrial cost of production is required for purchasing the precious metals from the West. For that amount of industrial cost

the West gave to India gold or silver, indifferently, when the relative value of silver to gold was high; but since that relative value has fallen, the West has given to India silver in preference, first buying it with a smaller amount of gold than in the past in exchange for the old amount of India's industrial cost of production, with the result that, from the depreciation of silver, India has to export larger quantities for the old amount of purchases.

e. Hence, the second proposition in paragraph 26 is not true, that the quantities of commodities which exchange as equivalent in the trade between the East and the West must remain unaffected by a fall in the relative value of silver to gold.

35. The statement above, that with the incessant floods of silver into India wages must rise, requires some qualification. In the industries which are engaged in the production of linseed, jute, and other exports, wages will rise; and additional capital must be laid out in these industries. But inasmuch as foreign countries will pay only the old amount of gold money for the increased Indian exports (or at least an amount of gold money which will not increase in proportion to the increased exports), there must be some reduction of capital in other industries for diversion into those which are directly affected by the foreign trade. In the industries from which capital may be withdrawn, the rise of wages will be less than in the more fortunate industries: in other words, there will be much disorganisation of labour; and distress from a greater advance of the price of food than of wages.

36. The evils of debt increased, and of labour disorganised and reduced in efficiency, through the depreciation of silver, India must encounter, at a time when the same cause will increase her charges of production—(*a*) cost of materials and implements (*b*) wages of labour (rising with dear food) and of extensively hired superintendence, and (*c*) interest on capital, in a country where production is carried on with borrowed money.

Superadded to these, and at a time when the contentment of India's people is more necessary than ever to her defence from imminent external peril, there must be an increase of taxation, if Indian production and commerce are not to be destroyed in a financial deluge. Is it possible that, under these circumstances, the interchange of commodities between East and West, and the burden of India's gold debt, will not be affected by the continuance of silver as money in the East, after gold has become the money of the West; that is, by the diminished purchasing power of silver, and the lessened efficiency of Indian labour? Ye are wise men, judge ye!

The third proposition in paragraph 26 will be discussed in a subsequent chapter.

CHAPTER VI.

SILVER HAS LOST THE ATTRIBUTES OF MONEY.

37. Having cleared our ideas by considering the facts relating to gold and silver in the past three centuries, we may now approach the abstract doctrines about money without risk of getting into a muddle. Three principal qualities have determined the use of the precious metals as money, *viz.*:—

I. *Universal ready acceptance of the two metals, indifferently, in international transactions, at the same value abroad as they possess in the local currency:* for, as with individuals, so with countries, no one receives metallic money except with the intention of passing it on, at some time or another. The Western world has ceased to receive silver into its currency.

II. *Stability of value:* The relative value of silver has been falling since 1760, after it had been raised above silver's intrinsic worth, by an extension of its use as currency, greater and wider than that of gold. Even with the fleeting reaction during the great drain of silver to the East from 1853 to 1866, silver did not regain the same value as in the last century. The depreciation since 1853 to 1866 has been 17 per cent., and from the closure of the European mints against silver that depreciation must continue until it shall have entirely stripped silver of the factitious value which it received from the discontinued coinage demand in the West, and from the still continuing excess of its coinage value or purchasing power in India over its intrinsic worth in the West (paragraphs 1 to 5).

III. *Intrinsic value;* of which the elements are, cost of production, and demand as stimulated by desire; the latter for precious metals, taking more especially the form of a coinage demand. The Western world has discontinued this demand for silver.

38. These three qualities are all requisite in money for international trade; but the third, or intrinsic worth, is not indispensable in money for internal trade. Paper, which has only a nominal value, compared with that of gold and silver, has over the greater part of the globe sufficed for the internal trade of countries with an inconvertible paper money, it not losing efficiency unless issued in excess. Again, the second quality, or stability of value, must be understood to refer to the stability of the relative values of gold and silver. In this restricted sense stability can be manifested in only the foreign trade. In another sense, *viz.*, the value of the precious metals as measured against commodities, some maintain that that value can never be stable, because every change in the prices of commodities involves an opposite change in the value of the precious metals as measured against commodities. But these fail to distinguish the essential * difference between a change of prices brought about by an increased production of commodities, or by a sudden collapse of demand for them, and that brought about by an increased or diminished production of the precious metals. In any discussions which are to be

* Professor Cairnes wrote :—"If value expresses simply a relation, what is meant when the question is raised, whether, in the case of two commodities of which the proportions in exchanging have undergone a change, the change is to be attributed to a fall in the value of the one, or to a rise in that of the other? Suppose, for example, we ask whether the advance in the price of butcher's meat is due to meat having risen, or money having fallen in value, what do we mean? Value expressing simply the relation of the commodities in exchange, the price being given that relative value is determined. Obviously, there is a tacit reference to the causes on which value depends, and the question really raised is not strictly as to the change in the exchange value, of meat and money, but as to the cause or causes which have produced the change. If we believe that the change is traceable to a cause primarily affecting meat, we say that meat has risen, not that money has fallen, in value; while, in the opposite case, we should attribute the change to the reduced value of money."

of practical worth, the stability of value of the precious metals must be understood in the sense of its being affected by the fluctuations in their production and distribution. In this sense, the value of the precious metals has been more stable than that of commodities, for the reason that, as the former endure and accumulate, fresh additions thereto are in decreasing percentages to the growing stock, whereas commodities being perishable, and being made for consumption, an increase of their production acts generally on exhausted stocks. Furthermore, the production of commodities is stimulated, not alone by the offer of the precious metals in exchange, but by the action of credit which inflates prices. For these reasons a rise or fall of prices of commodities does not imply an inverse fall or rise of the value of the precious metals. To deny a greater stability of value to gold than to commodities does not imply precision of reasoning, or a close adherence to practical issues in the silver question.

39. With regard to the stability of the relative values of gold and silver, we have seen (Section II in paragraph 37) that the instability is in silver, and that its great depreciation since 1873 is but the shrinking of the coinage value which it possessed in Europe, and which it has been losing, in the course of a rapid subsidence to intrinsic worth as simple merchandise, since the closure of European mints against it.

40. All the three essential attributes of money as the medium of exchange are included in the definition, that the substance used as money, or this medium, should be freely accepted in other countries for at least the value for which it is current in the country that uses and exports it. In young communities (observes Professor Walker) "even more than the fact of general consumption at home, the fact that an article forms the staple export of a region gives it acceptability for the purpose of a medium of exchange. Accordingly, in the early colonial days, we find tobacco in

Virginia and Maryland, and rice in Carolina, constituting the ordinary money of the people: and they served the purpose reasonably well. At every country store tobacco or rice was freely taken; every week or month the store-keeper sent his stock down to the seaboard, where his wagons were loaded with West India goods, hardware, &c., for the planters' use. The fact that these articles of produce were always and freely received at the country store gave them a high degree of acceptability in all the ordinary transactions of exchange. Even professional fees and salaries were paid in rice and tobacco. For a similar reason dried cod were during the same period used in Newfoundland as money, and sugar in the West Indies. Tea is still used in the settlement of transactions at the great Russian fairs, and dates in the oases of Africa. Furs have always been a good money in regions from which they are exported." Thus, truly, have rude communities, in a state scarcely removed from barter, instinctively apprehended the one essential sound principle of money or the medium of exchange, which underlies Professor Senior's exposition of the theory of the transmission of the precious metals from one country to another (Handbook, Chapter I), *viz.*, that the substance which is selected as the medium of exchange should possess abroad the same value which it has at home. Silver, with a higher value in India than in the West, has lost this cardinal attribute of money; and its further use as principal currency is rebuked both by the instinct of peoples of a low civilisation, and by the exposition which charmed and instructed the world from the halls of Oxford. The inconvenience and disadvantage of giving to silver in the East a higher value than it bears in the West was so forcibly impressed on Japan in the first impact of her trade with that of foreign countries, that Japan was the first among Eastern countries to adopt a gold standard.

CHAPTER VII.

SILVER STILL NEEDED, HOWEVER, AS SUBSIDIARY CURRENCY.

41. But, though silver has become unfitted for use as principal money, it can yet largely influence prices as subsidiary currency,—for a subsidiary currency is operative on prices as effectually as the principal currency; indeed more effectually,—for that important class of the community which is the especial concern of statesmen, *viz.*, the poor and the working classes, whose purchases determine the retail prices that mark more clearly than wholesale prices the rise or fall in the value of the precious metals. The French Government remembered this during the drain of silver to the East. It was passive while the silver five-franc pieces were being expelled from circulation by gold; but with a watchful regard for its people, and with an implicit recognition of the paramount duty of Government to avert disorders of the currency, it promptly interposed, when the full weight small silver coins began to be exported. Forthwith these were demonetised by the Latin Mint Convention.

42. A subsidiary currency is maintained at par of its nominal value, with the principal currency, by its character of legal tender in transactions up to a certain amount (40 shillings in England, 80 shillings in France), and (as an effectual security against its over-issue) by its receipt into public treasuries, up to any amount, in payment of dues to Govern-

ment. The importance of this latter check upon over-issues is fully understood in Europe, thus—

I. The token coinage of the Latin Mint Convention was "made receivable for taxes in all the countries comprising the Latin Union, for any amount not exceeding one hundred francs; but in the country issuing it, this receivability is *without limitation of quantity;* and each country is obliged to redeem its subsidiary coins, or coins of full standard, when presented in sums of not less than one hundred francs, by either the Governments or citizens of the other countries. The last provision remains in force for two years after the convention expires."—(*Report of the United States Monetary Commission, Appendix O.)*

II. "The European precedents in France, Germany, the Scandinavian States, Holland, England, Spain, and Austria generally seem to be uniform, therefore in favour of the policy of securing an actual equality of market value between subsidiary silver coins deficient in weight or standard and other coins. It is not believed that there is any case in Europe in which a Government issuing coin has repudiated or discredited it by refusing to receive it for any debt or tax of any description."—*(Ibid.)*

43. The character of subsidiary currency as legal tender, its convertibility at par by acceptance at public treasuries for any amount of dues to Government, and the limitation, thus, of its issue being assured, the following conclusions are obvious:—

I. If a token coinage circulates at a premium the fact indicates that there is not enough of small coins; if at a discount, that there is an over-issue, which, however, would cease quickly under the provision for receiving them freely in Government treasuries, up to any amount, in payment of dues to Government.

II. Hence, small silver coins are, in fact, metallic notes convertible at all times into the full weight coins of the

principal currency, by tender, in sufficient amount, for the latter, or by tender to the Government in payment of Government dues.

III. Accordingly they fulfil for small transactions, for which a gold coin would be inconveniently small, and for which paper money, at least in England, is considered inexpedient, the same function of lessening the use of the next lower denominations of coins (in this case, copper, bronze, or nickel coins) as is fulfilled in England by Bank of England notes for lessening the use of gold coins for transactions above five pounds.

IV. They are effective for this purpose, through a limitation of their issue, in the manner stated in paragsaph 42, precisely in the same way as paper money is kept at par by some equivalent limitation of its issue. Thus, Mr. Ricardo observes :—

"There can exist no depreciation of money, but from excess ;—*however debased a coinage may become,* it will preserve its mint value; that is to say, *it will pass in circulation for the intrinsic value of the bullion which it ought to contain,* provided it be not in too great abundance."

V. In further illustration of the parallel between paper money and small silver coin, or of the similarity of their footing, in their respective spheres in the currency, when both are readily convertible at par into the principal legal tender coin, we may cite Adam Smith :—

"The circulation of every country may be considered as divided into two different branches,—the circulation of the dealers with one another, and the circulation between the dealers and the consumers. * * Paper money may be so regulated as either to confine itself very much to the circulation between the different dealers, or to extend itself likewise to a great part of that between the dealers and the consumers. Where no bank notes are circulated under ten pounds value, as in London, paper money confines itself very much to the circulation between the dealers. When a ten-pound bank note comes into the hands of a consumer, he is generally obliged to change it at the first shop where he has occasion to purchase five shillings worth of goods, so that it often returns into the hands of a dealer before the consumer has spent the fortieth part of the money. Where bank notes are issued for so small sums as twenty

shillings, as in Scotland, paper money extends itself to a considerable part of the circulation between dealers and consumers."

In like manner, in a country with a prevailing gold currency, the people may be divided into two classes, of which one can afford and does value the use of gold coins and bank notes, while the other, or the vast majority, can use only silver currency, from the smallness of their means, and from the smallness of their transactions, for which the smallest gold coin would be too large. Among the former class the gold coins and bank notes are a perfect medium of exchange in internal trade; and among the bulk of the population, who would be restricted to copper money if they did not use silver, the subsidiary silver coin, if freely receivable into Government treasuries, is an equally perfect medium of exchange in those numerous transactions among the masses for which gold coins and bank notes cannot furnish that medium.

44. The legal tender currency in a country which has a gold currency consists then (1st) of gold and notes which occur exclusively in an upper stratum among the well-to-do, or the smaller part of the population; and (2nd) of subsidiary silver currency (with copper money) which to a small extent is used as small change in the upper stratum among the well-to-do, but which otherwise circulates exclusively among the working classes for whom the smallest gold coin is too large. The notes in the upper stratum, and the subsidiary silver currency are complementary to the gold currency, in the sense that the notes supersede gold in large transactions for which the largest gold coin is inconveniently small, while the subsidiary silver currency subserves the small transactions of the masses for which the smallest gold coin would be too large. The notes economise the use of gold, while the subsidiary silver coins supply the one insuperable defect in gold as money, *viz.*, that it cannot reach the innumerable small transactions of the masses.

45. Hence, notes, gold, and subsidiary silver coins have separate jurisdictions, the extent of which varies with the degree of material progress of the gold-using country. The jurisdictions of notes and gold interlace, however, more closely than do those of gold and silver, for whereas gold coins can and do supply any deficiency of notes, they cannot supply any deficiency of the small silver coins. It follows that any great deficiency of small silver coins for the mass of small transactions which gold coins cannot reach, would have the same effect on retail prices, and through them on wholesale prices, as a scarcity of gold; that is, it would lower prices; and this result would present to superficial observers the appearance of a rise in the value of gold. Those, therefore, who have hastily inferred an appreciation of gold from the fall in prices since 1873, may find ground for correcting their impression, in the restricted coinage of subsidiary silver currency of late years, in various countries, thus:—

I. In France, during the drain of silver to the East until 1866 all silver coins, nine-tenths fine, (both small and large coins), were exported, excepting those which were much worn. The silver token coins were first struck in 1864, and the coinage to 1874 was as follows (in millions and thousands of francs), *viz.*,—

	2 francs.	1 franc.	50 centimes.	20 centimes	TOTAL.
1864 and 1865 .	...	...	15,762	88	15,850
1866 to 1872 .	78,060	102,956	27,662	2,417	211,095
1873 and 1874 .	1,056	19	1,160	..	2,235
	79,116	102,975	44,584	2,505	229,180

In 1875 and 1876 small silver was not coined, probably from an intention to re-coin this currency with more silver in it on the declaration of gold as sole legal tender. The total subsidiary coinage of silver in the past fourteen years has

been only nine millions sterling, and this amount represents the bulk of this currency, the remainder consisting of the worn-out small silver coins nine-tenths fine, which may be still outstanding, and of the small silver coins of Italy and Belgium which are circulating in France under the Latin Mint Convention. Considering the immense retail dealings in France, this amount of subsidiary silver currency seems insufficient; and there was evidence in 1876 (Handbook, Appendix II, page 209) that in the rural districts of France there was a want of silver money.

II. In Belgium, whence, as in France, the full weight silver coin was drained to the East by 1866, the coinage of subsidiary silver coins from 1865 to 1868 amounted to 32 millions francs worth, or 1·28 millions sterling. After 1868 the coinage ceased.

III. In Holland, the coinage of small silver coins, on any scale worth mention, ceased from 1868 inclusive; small sums were coined in that year and in 1869, and 150,000 florins worth in 1872; but nothing since. In Germany, the small silver currency, as is well known, is insufficient.

IV. On 1st May 1876, Mr. Seyd reckoned the silver currency of the United Kingdom at 15 millions sterling, as a full estimate. Inasmuch, however, as the the total silver coinage from 1816 to 1876 amounted to 25 millions sterling, including 9 millions coined from 1816 to 1829 (which latter coinage, if extant in 1876, was then from 60 to 47 years old), that estimate of 15 millions sterling implies either that a large proportion of coins from 47 to 70 years old was still in circulation, or that, of the coinage less than 47 years old, no considerable part has been worn out, lost, destroyed, and exported. Neither of these assumptions being probable, the silver coin in circulation in 1876 must have been much less than 15 millions sterling. In 1876 and 1877 the circulation was further reduced by the amount lost and destroyed; for in those years the net silver coinage, after deducting with-

drawals, was only 160,022*l*, against an exportation to the colonies in those years of 169,850*l*.

V. The increasing need of small silver coin for small transactions is shown by the steadily increasing coinage of half-sovereigns, and of florins or half-crowns; the smallness of the total silver coin circulation; and the complaints of scarcity of silver coin which appeared in English journals at the end of the exceptionally large silver coinage of nearly 4 millions sterling worth from 1871 to 1874.

46. It stands to reason that if the small coins for the innumerable transactions which gold coins cannot reach be insufficient, retail prices of the necessaries of the masses must fall. Again, no one would assert that notes, by superseding gold in large transactions, help to raise the value of gold. As notes economise the use of gold (that is, set gold free for fresh circulation), a currency of gold coins *plus* notes must be greater than a currency exclusively of gold coins; in other words, with a mixed currency of this kind, prices must be higher than with an exclusively gold currency,—that is, gold must fall in value. Similarly, a mixed currency of gold, and of subsidiary silver coins for small transactions, must be greater than an exclusively gold currency which cannot reach those transactions; and such a mixed currency must keep up prices, in precisely the same way as a mixed currency of gold and notes,—that is, it must lower the value of gold.

47. It has been frequently urged in Europe and America that if countries with a silver currency alter to a gold standard, gold will rise in value, and the prices of commodities will fall. In this it is assumed that silver, when demonetised as principal currency, will cease to act upon prices as a subsidiary currency. The preceding observations negative this assumption; but as the point is of considerable importance in the question we are discussing, the argument that a subsidiary currency does really and unmistakably act upon prices may be re-stated.

I. The circulation of small coins at a premium, when there is a short issue, or at a discount when there is an over-issue, attests their real efficiency in measuring the values of goods, the prices of which are necessarily expressed in the unit of worth of the principal or full weight currency.

II. As metallic prices depend on the quantity of coin which circulates against the whole mass of commodities in any place, and on the rapidity of its circulation, the subsidiary silver currency which circulates in a gold coin country among extensive strata of society where gold coins do not penetrate, cannot be excluded from an influential share in the action of the precious metals upon prices in such country.

III. In a country with a single standard of gold, the well-to-do but numerically smaller part of the population (which we may denote as x) use gold coins, or notes or cheques convertible into gold coins (with silver as mere small change) for their daily transactions; the comparatively poorer and large remainder of the population (which we may denote as y) uses the subsidiary silver currency which the State maintains at full par of exchange of its nominal value with gold. The value of gold and silver as measured against commodities depends on the quantity of the two, which circulates in the transactions of both x and y, and not on the quantity of gold circulation alone, as measured against the commodities used by both x and y. Let us suppose that gold was susceptible of fabrication into coins sufficiently small to supersede the use of a subsidiary silver currency. Until 1865 the silver small coins in France were of the same fineness (·900) as the five-franc piece. This really is the case supposed in this hypothesis. In such case no one would venture to assert that the value of gold should be measured according to its circulation against the commodities used by x alone; every one would see that prices, or the value of the precious metal, measured against commodities, would depend on the total metallic circulation of small and large coins, against the total

commodities used by the population. If, again, for example, the quality of the gold which had been susceptible of fabrication into small coins suddenly changed, so that its fabrication into minute coins became more difficult, and the number of the small coins became reduced in consequence, it would be seen at once that prices must immediately fall. Now, these results are not altered, because a subsidiary silver currency, as small change for gold coins, and as the only coins which the great majority of a nation can use, is indispensable in countries with a single standard of gold. The gold coins in circulation in the United Kingdom may be estimated at 100 millions sterling, that is 114 millions, in tale, of sovereigns and half-sovereigns, the silver coins at 16 millions or (say) 300 millions of shillings. It is absurd to suppose that these 300 millions of shillings do not act on prices; on the contrary their effect on prices is more direct and constant than that of the gold coins. No one in Europe, whose enquiries into the depreciation of gold and silver are of any worth, ever based his conclusions upon the prices of any but articles of general consumption among the mass of the population, that is, among those who use a subsidiary silver currency.

48. The influence of a subsidiary silver currency upon prices being thus a real and most effective influence, we are warranted in maintaining the following conclusions with regard to the effect upon prices of an alteration to a gold standard by the countries which now have a silver currency:—

I. Metallic prices of commodities will not be affected (in the direction of a fall at any rate) by an alteration to a gold standard which, perforce, must leave intact the volume of silver which may be circulating among the masses whom gold coins cannot reach; whilst the replacement, among the well-to-do, of, perchance, every ten silver coins by one gold coin of equal value, can only quicken the circulation, without reducing its amount value; rather, the transition must result in an increase of the amount value, as well as of the rapidity of the

circulation, because of the impossibility of substituting among, say, ten persons who may have been using three hundred shillings, exactly ten sovereigns and ten half-sovereigns, leaving them without any small change whatever. These ten persons would have to acquire those numbers of gold coins and some shillings over, or, more probably, fewer of those gold coins, and many more shillings than would make up the bare remainder of the fifteen pounds sterling. Thus, a change from the inferior to the superior currency must increase the total amount value, while compensating the diminished numerical amount, by the greater activity, of the circulation.

II. Accordingly, the alteration to a gold standard must, as in Germany, and as it did in France and elsewhere, inflate the currency, raising metallic prices of commodities, and therefore not raising the value of gold.

III. Hence the alteration of a silver to a gold standard in any country, with its inevitable inflation of the metallic currency, does not raise the value of gold relatively to commodities, but only raises the value of the existing silver currency in relation to gold.

IV. Accordingly, the contention is unscientific and unsound that silver, on its demonetisation in any country, ceases to act upon prices; that gold thereupon becomes the sole measure of value; that in consequence, if all countries adopt a gold standard, the quantity of gold alone, which circulates against commodities, will determine its value, instead of, as hitherto, the circulation of both gold and silver, and that, therefore, the value of gold must rise. Were this true, then the comparison of the existing metallic currencies, *minus* the subsidiary silver currencies, with the immensely increased production of commodities since 1848, should show a great fall of prices below their range in 1848, whereas they are higher than in 1848; that is to say, gold has depreciated.

V. It has been held that the demonetisation of silver would demonetise not only the extant silver currency, but all

the silver that is hoarded as bullion, or is invested in plate and ornaments, and that the demonetisation of this immense mass of silver must grievously lower prices. It seems a sufficient answer to observe that money hoarded does not act on prices any more than the gold or silver which is yet concealed in mines; if it did affect prices, then prices should have risen enormously in France when her gold and silver were driven into hoards by her inconvertible paper. Plate and ornaments do not act upon prices, except at the time that they are manufactured, or when they are thrown on the market for sale; but their effect on prices is irrelevant to the present enquiry.

49. We have seen that, from the smallness of the transactions of the mass of a population, gold coins and a subsidiary silver currency have distinct or separate jurisdictions in a gold coin country. The extent of these separate jurisdictions of the gold and silver coins will vary with the degree of material progress in the country; the area or margin for the subsidiary silver currency being small for a country, like England, in an advanced state of progress, and being great for a country in the backward state of India, which, though having a foreign trade large enough to make gold indispensable for bearing the impact of that trade (now that silver is mere merchandise—depreciating merchandise—in the West), yet consists chiefly of rural populations, who for another generation, at any rate, will find copper and silver money sufficient, and gold unfitted for their daily transactions.

50. Hence there is room for revising the estimate of the author of the Handbook, who assumes that out of an estimated silver currency of 160 millions sterling in India, only so little as 105 millions of subsidiary silver currency will be required for the teeming millions who cannot use gold, and so much as 55 or 60 millions sterling of gold will be required for meeting the impact, with a gold currency, of India's trade with that of foreign countries.

CHAPTER VIII.

GOLD HAS NOT RISEN IN VALUE.

51. What the world has witnessed since 1874 in the depreciation of silver is not the enhancement of the value of gold through its displacement of silver, but the denuding silver in the West of its coinage value as principal currency. The total production of the precious metals has changed but little since 1861, or even since 1853; *viz.*:—

YEARLY AVERAGE.

	M. Bonnet.	Dr. Soetbeer and Mr. Hendriks.	Handbook.
	(Millions Sterling.)		
1853 to 1860	34·7	33·4	35·3
1861 to 1865	32·1	32·4	32·3
1866 to 1869	34·0	32·7	35·3
1870 to 1875	33·9	32·9	35·7
1876	35·2	33·5	36·7
1877	...	...	39·0

52. Thus, the yearly average of total production of gold and silver was uniform, alike from 1853 to 1873 before the countries of the Latin Union had closed their mints against the coinage of silver, and from 1874 to 1876. Hence, on

the assumption that the two metals together acted upon prices from 1853 to 1876, and so far forth as prices were affected by the yearly production of gold and silver, that effect must have been uniform, and with a uniform tendency to depreciation of the two metals, throughout that period. A considerable depreciation of this character had become fully established in 1858, as demonstrated by Professor Cairnes, and it had gone on to 1869 as shown by Professor Jevons; while the range of prices was, on the whole, higher on 1st January 1877 than in 1869 (Handbook, Appendix IV, paragraphs 10 and 11). These facts correspond, generally, with the uniform yearly production of gold and silver in the periods to 1873, and from 1874 to 1876. The natural inference that gold has remained depreciated since 1874, as it had become depreciated down to 1873, is nevertheless denied. It is held that prices have fallen since 1873, and that as this fall synchronised with the closure of the mints of the Latin Union against silver, it is clearly referable to the exclusion thenceforward of silver from action upon prices in the Western world; and that, accordingly, in estimating the effect of the metallic currencies of the world upon prices, we must subtract the yearly production of silver from 1874, and set only the yearly gold production since that year against the total yearly production of gold and silver down to 1873. Thus regarded, it becomes a settled belief when abstract conceptions are preferred to palpable facts in a department of enquiry which has not yet been raised to the dignity of a science, that it is not silver which has fallen, but gold which has risen in value, through its having to perform in the Western world the double duty of its own, and of silver's superseded function of money. But in this view certain material considerations are overlooked.

I. It is not the case that silver has ceased to act upon prices in the Western world since the closure of European mints against its coinage. All the silver currency which

was in circulation at the date of that measure, and which has not been withdrawn from circulation since, continues to act upon prices with greater efficiency than before, by reason of its having been raised to gold value, through cessation of further silver coinage; also, the subsidiary silver currency continues to act on prices with the same efficiency as gold money.

II. It is not the fact that gold received help from silver in maintaining the volume of the metallic currency of the Western world from 1853 to 1873. The whole yearly production of silver in those 41 years (except 16 millions sterling), and 57 millions sterling of gold, were exported to the East during that period; so that the whole duty of increasing the metallic circulation of Europe fell exclusively on gold, fully as much from 1853 to 1873 as from 1873 to 1877.

III. The proportion and amount of yearly gold production employed in displacing silver in the West were greater, and the proportion and amount of the remainder of that production, as employed in increasing the metallic currency of the West, were less in the period down to 1873 than in the period from 1874, and the displacement of silver by gold in the Western currencies may be considered to have been completed by 1876. From these facts, so far as the increase or decrease of metallic currency affects prices, one would predicate that the precious metals should have depreciated in the West to a greater extent in the later than in the earlier period; and that accordingly, if there has been a shrinking instead of an advance of prices since 1873, the fall must be owing to some other causes than the facts of the production and distribution of gold and silver.

IV. Similarly, with regard to the East. There was a considerable export of gold and silver to the East down to 1866, which raised prices in India and China,—that is, caused a depreciation of silver. The depreciation was greater even than the depreciation of gold in Europe during 1853 to 1867

(Handbook, Appendix IV, page 331). Nothing, in the facts of silver production, has occurred since to cause silver to appreciate. The yearly production of silver has increased since 1867. The coinage demand for it in Europe has also ceased, with the direct palpable result of lowering its intrinsic worth. That degradation of its value has been further promoted by the increase of Council drafts on India from four millions sterling in 1867 to 16 millions sterling in 1878. All these circumstances warrant the conclusion that silver has fallen in value; and accordingly, if there has been a shrinking of prices in India since 1873, the fall must be ascribed to something unconnected quite with the facts of demand and supply of silver. It is owing, as already explained, to the low efficiency of Indian labour, which causes the normal value, in India, of the precious metals to be high.

V. It may be very true that silver will purchase in the London market more of various articles in 1878 than in 1873; but this does not prove that silver has appreciated. It only shows that silver, having ceased to be coined in Europe, is reduced there to the footing of merchandise, and that, as such, it has fallen in price in the West, together with other commodities, and from the same causes, *viz.*, 1st, a sudden complete collapse of a previously large demand; 2nd, no corresponding abatement of supply; rather, in the case of silver, an increase of supply. If silver has not, from these causes, fallen in price in Europe to the same extent as other commodities, it is because that price is sustained in a measure by the superior value, or greater purchasing power which silver has in India as currency than it has in the West as merchandise. Commodities sent to Europe must sell there for what they will fetch: silver, if not fetching a sufficient price in the West, can, unlike commodities for the Western market, be exported to the East. Hence, as a matter of course, the cessation or abatement of demand which has caused a fall of prices of commodities, including silver, in the West, has caused a lesser fall of the price of silver than of other commodities.

VI. A little attention to the facts of commercial progress from 1849 to 1873 would show that the changed relation between the precious metals and commodities, as indicated by the fall of prices since 1873, is owing to causes connected with the demand and supply of commodities, and not to causes connected with the demand and supply of gold and silver (paragraph 38). For, whilst there has been a collapse of demand for commodities, the rate of yearly production of gold and silver, as it stood down to 1873, continues unabated. The amount of national indebtedness was 1,700 millions sterling in 1848; 3,220 millions in 1867; 4,580 millions in 1875; that is to say, there was an increase of borrowing to the amount of 2,880 millions sterling, from 1848 to 1875, irrespective of as large amounts borrowed for railway and other industrial enterprises. The increased production of gold and silver during the same period of 27 years was only 370 millions sterling. The greater part of the increase of 2,880 millions of national indebtedness, and the greater part of the borrowing for railways and industrial enterprises, were bestowed on the purchase of commodities at necessarily advanced prices, and on the employment of labour on necessarily advanced wages. In other words, we see distinctly the operation down to 1873, when national borrowing collapsed, of causes which raised prices far more powerfully than did the yearly production of gold and silver; and so it should be equally plain to our perception that when that enormous borrowing and the borrowings for railway and other industrial enterprises collapsed in 1873, prices fell from the collapse of credit, and not from any circumstance affecting the production or distribution of gold which could have caused gold to appreciate. As we have seen, the causes affecting the supply of gold tended to depreciate it.

VII. In a country whose silver currency is depreciating, the depreciation, while it is in progress, provides a bounty on exports which lowers their gold price abroad. It has also the effect of lowering the gold price abroad of the imports

which are exchanged against those exports; because the masses in the country of depreciated silver do not obtain a rise of wages proportionate to the rise of prices. Their means of purchasing the imports being thus diminished, the importer is not able to add the full amount of his loss by exchange to his old price; part of that loss he must pass on to the manufacturer in the gold coin country if the old quantity of consumption is to be maintained among the masses in the silver-using country who have less net income wherewith to pay for the imports. Thus, the delay to alter in the East to a gold standard has helped to produce a fall in gold prices in the West, which is mistaken for a rise in the value of gold, though the fall is the direct result of a depreciation of silver.

VIII. Collapse of credit, and of the means of buying, caused a fall of prices in countries which had been borrowing on a large scale when fresh borrowing no longer provided funds for paying interest to the creditor countries; necessarily increased exports had to be sent to those creditors. Thus England and other creditor countries have been receiving increased imports from India (under the influence of the bounty afforded by the depreciation of silver) and from other indebted countries (under the law which lowers the price of commodities in the countries that pay tribute). These exceptional abnormal imports into the United Kingdom have perforce aggravated the ordinary effect of imports in reducing prices.

IX. The collapse of credit, and cessation of abnormal demand for commodities, without a corresponding decrease of production, the depreciation of silver (and, as we have seen in a former chapter, a consequent temporary suspension, or restriction, of subsidiary silver coinage in various countries), together with increased exports from indebted countries in discharge of the interest they owe to creditor countries, are reasons sufficient for the fall of prices. And as those reasons do not include a scarcity of gold, which has ceased its

occupation during the past 25 years of replacing silver in the currencies of the West, while its production remains unabated, one thing is clear, whatever else may be obscure in the phenomenon of the fall of prices, *viz.*, that gold has not risen, but commodities (including silver, now mere merchandise) have fallen in value. It is also clear that as prices are higher in the present day than they were in 1848, notwithstanding the powerful causes which have tended to lower them since 1873, gold has fallen, not risen in value.

CHAPTER IX.

GOLD DEBTS OF SILVER-USING COUNTRIES WOULD NOT BE INCREASED BY THEIR ALTERATION TO A GOLD STANDARD.

53. The opponents of a single gold standard, ably led by M. de Laveleye, mean to die hard. Driven from every other position, they would still urge that, by the general adoption of a gold standard, the countries with a silver standard, or which, with a bi-metallic standard, have the option of paying their debts in gold or silver, would increase the burden of their gold debt, inasmuch as the value of their gold debt would rise,—that is, prices of commodities must fall, and a larger quantity of those commodities would be required to pay the old amount of gold indebtedness.

54. The answers are—

I. It has been shown in Chapter VII that silver, when reduced to a subsidiary currency, will (Chapter VII) act upon prices just as effectually as gold; hence the duty of measuring prices of commodities will not fall, in any material additional degree, on gold; and the value of gold, accordingly, will not rise.

II. The bi-metallic countries have not the option of paying in silver the money which they borrowed in gold. The silver party in the United States asserts this right, but in defiance of public feeling and of the moral sentiment of both Europe and those States. Those whose morality is scrupulous to weakness about the imaginary rights and wrongs of debtors,

must respect the moral judgment which Europe has recorded against the dishonest claim by debtors of an option in the matter. By the working of the bi-metallic standard, foreign countries have the option* of paying, in the cheaper metal, their debts to the country which uses that standard; but, as a matter of fact, a bi-metallic country itself has never had the like option of paying foreign creditors in the cheaper metal, inasmuch as a bi-metallic standard *receives into the currency* the cheaper and *sends abroad* the dearer metal. With regard to debts within the country, it will be shown (Chapter XI) that the alteration from silver to gold will not injure debtors.

III. As to silver coin countries, India, without having altered her standard, has, since the great depreciation of silver, been forced to send abroad additional quantities of exports to provide for the old amount of indebtedness, the gold price of Indian exports having fallen through the low exchange from the depreciation of silver.

IV. It has been shown that the adoption of a gold standard by the countries in Europe has not raised the value of gold, except in relation to silver, and that what is now happening with silver is the stripping it, through the cessation of all coinage demand for silver in the West, of the special coinage value, beyond its old intrinsic worth as merchandise, which it had acquired in the centuries during which it overspread the currencies of the West. Hence, if gold was to rise in value from the demonetisation of silver, whatever mischief of this kind was possible in the West has been done; the cessation of silver coinage in India would not raise the value of gold more, rather it would stop the further depreciation of the Indian silver currency; for, as just observed, what the world

* Only, however, under sufferance of the country which uses the bi-metallic standard. The countries of the Latin Union had a perfect right to close their mints against the further coinage of silver; the morality of their act has never been impugned, and is not impugnable, by those who yet inveigh against India's immorality were she to change to a gold standard.

is now witnessing is the descent of silver, not the rise of gold, in the scale of value, from the cessation in the West of the coinage demand for silver.

V. In every country which has changed to a gold currency, all the silver currency existing at the time of the change, and remaining in it thereafter, was raised to gold value (witness the silver thalers in Germany); just the same as if, by a convulsion of nature in those countries, silver had been engulfed, and an equivalent supply of gold had been thrown up for their use. This virtual addition to the gold supply certainly has not tended to raise the value of gold. It is silver bullion that has fallen in value.

VI. We are thus warranted in concluding that the subordination of silver to gold—not the disuse of silver—in the currencies of Europe and India, while altering the relative value of gold and silver, will not disturb the value of gold, at least in the direction of lowering prices; it would raise prices in some measure, and so would reduce, or rather would prevent, an unjust increase of the amount of gold debt of a silver coin country.

CHAPTER X.

IMMORALITY OF CHANGING TO A GOLD STANDARD.

55. At this stage of our inquiry we have ascertained the following facts :—

I. The expectations formed in 1875 and 1876, that the price of silver might rise again in the several contingencies mentioned in paragraph 7, have one and all failed.

II. Gold has superseded silver as principal currency under the force of circumstances no less powerful than the remarkable increase and diffusion of wealth, and of gold supply, since 1848.

III. The wisest minds and the greatest financial abilities in Europe having accepted this irresistible logic of facts, the European mints have been closed against the coinage of silver.

IV. Silver is being stripped, in consequence, of the factitious value, beyond its worth as merchandise, which it had acquired from an extensive coinage demand in the West, now suddenly withdrawn; and this shrinking of its value is being hastened by the bounty on Indian exports which depreciating silver provides, and by the new competition with the Council drafts on India into which the bullion dealers have been forced by the cessation of silver coinage in the West.

V. Accordingly, the price of silver has fallen 17 per cent., and is become unstable, beyond all past experience, with a certainty of its further decline.

VI. On this account, and by the elevation of silver's price in India above its intrinsic worth in the West, it has lost the characteristics which are essential in any substance that can remain a medium of exchange.

VII. The doctrine of silver for the East and gold for the West is a delusion and a snare, which, by keeping the Indian mints open for the coinage of silver, is increasing the yearly payments for India's gold debt abroad, reducing her profits, and laying on her diminished income a heavy burden of new taxation, of which both the pressure will increase with the progressive diminution of income every year, and the amount will increase with the progressive augmentation of loss by exchange.

VIII. The demonetisation of silver will not raise the value of gold, because silver as subsidiary currency would circulate against commodities, and act upon prices, as efficiently as gold.

56. An unerring instinct in young communities, and among peoples scarcely removed from barter, always arrived—without concert, and at different times—at one and the same decision, because it was the only possible sound decision respecting the standard of value, *viz.*, that the substance which is used as money should have at least the same value abroad as it has at home. If this fact,—an unassailable theory of the transmission of the precious metals from one country to another—a force of circumstances which to the wise is irresistible logic—the example of the best financial abilities in Europe and America—the practical common sense of peoples who, possessing more than two-thirds the wealth of the Western world, and having used both gold and silver, have rejected silver—the certainty of financial ruin if India abides by silver—the certainty of political revolution if financial ruin is averted by unbearable taxation—if all these are to count for anything, India must demonetise silver.

57. But all these are of little avail while conscience sees the bugbear of injustice to debtors from an alteration of the

standard in India. Perish India! but somehow save her indebted people, whose food and necessaries must rise in price with the depreciation of silver, while their wages will not rise in the same proportion, as history has repeatedly taught; its last lesson having been set in India itself, where wages did not rise in the interior, that is, among the masses, in proportion to the depreciation of silver from 1853 to 1867. There must be a huge fallacy in moral doubts, which have not troubled the conscience of Europe.

58. In the first place, is not this a question of mere words? While we think that we are virtuously abiding by our standard are we not really changing it? Is not the change from the silver standard of India fifteen years ago, to the silver standard of the present day, which has depreciated 17 per cent., greater than any change which would have been involved in the alteration to a gold standard in 1874 or 1875? Or, is it that a change of standard is a most proper luxury for the well-to-do countries in the Western world, but most improper for India, though she is rich enough to bear, in the face of Russia's advance towards India, an increased taxation for meeting a loss by exchange which this year is 3 millions, but may soon be 5 millions sterling? Or, is it that the change which is prized by the eminent financial abilities of Europe, and the shrewd, practical common sense of America, was a wicked thing to be done, and that the example of the wicked must be shunned? Is it, then, that we in India are more virtuous, if less wise, than the statesmen of Europe and America, including the statesmen who gave to England her gold currency? Or, is it not possible that, as wisdom is the handmaid of virtue, we may, after all, be not more virtuous but only less wise, and miserably poorer, that is, more beset than ever with temptations to do wrong, from our moral doubts? Is it not certain—as certain as the prophet's forecast of Hazael's near future—that this virtuous resolve not to change a standard which is rapidly changing under our very

noses, must soon result in a repudiation of India's debt under the pressure of financial disorder? Is thy servant a dog that he should do these things? But the things were done.

59. But we must not do evil even to avert a greater sin; a small sin cannot protect us from a greater, but may only lead up to it. Are we not, however, indulging in the smaller sin which if not abandoned must end in the repudiation of India's Public Debt?

60. The flooding of India through her mints with silver, which is seriously depreciating abroad, is as surely depreciating her currency, which means hard times for the millions whose struggle is for bare existence; heavy taxation for those to whom the money-lender leaves just enough, beyond a bare subsistence, to sustain them with a little hope in their hard, anxious toil; crippled means among those whom the Government expects to afford help in famine relief. With one hand we keep open the mints' gates for the bullion dealers who work this mischief of a depreciated currency; with the other hand the Government imposes taxation to neutralise only that part of the evil which affects itself. Is this selfishness redeemed by our coining silver for bullion dealers who could not work their mischief without this our effectual help, while we tell the millions who bear new taxation, and the creditor class who, on the theory we are now considering, suffer heavily from the depreciated standard, that we have no part or lot in bringing about their suffering or loss, and in enabling debtors to pay their debts with money of nominally the same amount as they borrowed, but of really less worth? Were creditors to accuse a Government whose honesty is above suspicion of dishonestly abetting debtors (the Government itself belonging to the debtor class), it would be no answer to say that Government only respects the right of debtors to bring as much silver to the mints as they like every country with a bi-metallic standard in Europe and America has rejected this right with regard to silver.

61. We denounce the dishonesty of the silver party in the United States, which seeks to pay in depreciated silver (of only the same nominal amount) money which was borrowed in gold; will the character of precisely the same result, to the holders of rupee loans, which were subscribed in rupees of greater value than the present rupees, be changed because the intentions of the Government are honest, whilst its act in keeping open the mints for the coinage of silver helps private debtors *(on the theory now being examined)* to practise the fraud which we denounce in the silver party?

62. We have seen that in the silver famine of the Middle Ages copper was general money in Europe; had our remote ancestors been misguidedly squeamish about the rights of debtors, they would have rejected the gold and silver which afterwards streamed from America; the debtors would have been ruined by their cruel kindness; history would have been changed; the development and diffusion of wealth since the sixteenth century would have been checked; and the increase of population would have been so greatly restricted, that the present discussion about the injury to debtors would have been spared; for the parties to it would have been non-existent in that "wanting remainder" of the stunted growth of population. Hence, from a barely decent respect for an unscrupulousness to which we owe our being, we should cease our objections, like the countries in the Western world which have changed their standard without so much as whispering such undutiful scruples.

CHAPTER XI.

WILL DEBTORS BE INJURED BY A CHANGE OF STANDARD?

63. But will debtors be injured, and to what extent? We must clear the approach to this question by some preliminary considerations. If silver be not demonetised in India—

I. Wages must rise in India, with a depreciated silver currency, from the additional demand for labour consequent on the increased production of exports under the influence of a low exchange; but history attests that the increase of wages will not be in proportion to the general rise of prices, and the masses must suffer.

II. For that part of the work of production and distribution which is carried on with borrowed money (and in India this constitutes the larger part), the rate of interest must rise: (*a*) because the rise in wages, and the general rise of prices of food, seed, implements, materials of production, and transit expenses, will require a larger amount of advances for the old amount of work, while the amount of work must also increase with the growth of exports under the stimulus of a low exchange; (*b*) because the uncertainty of the exchange with sterling and the progressive fall in the price of silver will restrict the flow of capital to India, except at higher interest, on account of the risk of loss attendant on its withdrawal from the country; (*c*) because diminished profits, and an increase of taxation, by reducing the yearly savings of the people, will check the accumulation of local capital.

III. The cost of supervision in India for distributing foreign imports, and for managing and distributing local production, must increase with the depreciation of silver.

IV. Profits in the import trade must fall, from the combined effect of II and III, which the general rise of prices of imports will not counteract (because that rise will be insufficient, from the diminished means of the masses under the influence of I and of increased taxation), and from the loss in paying for the imports, or in remitting gross proceeds, less local expenses, to foreign importers.

V. Profits in the work of production will fall, from the effects of I to III, because the rise in prices will not be in proportion to the depreciation of silver, for the reason that, of the total production, a great part (the "wanted remainder" which determines the general price of the whole) is exported, and, on that export, the bounty from the depreciation of silver or the low exchange has to be shared with the foreign consumers.

VI. The minimum rate of interest, or that which determines the investment of private (not borrowed) capital in houses, land, and industrial pursuits, is limited by the price of Government securities. The price of these has fallen, and the rate of interest on them has risen, and it will continue to rise with the growth of taxation, and the increasing pressure upon the finances, which the startling growth of loss by exchange must produce.

VII. As a consequence, the prices of other stocks, and of houses and lands, must fall,—which means heavy loss for those who realise by sale of their property, and—for those who borrow on mortgages, or on the deposit of securities—a smaller margin for borrowing,—that is, a higher rate of interest. What it will mean for the indebted agricultural masses, with need for increased borrowing at higher interest, is the one unbearable extra turn, under a vice, which expresses the difference between the pain of rheumatism and the pain of

gout. And with this its effect on the payers of land revenue and cesses, what will it not mean for the Indian Government?

64. We may now face the bugbear of the unspeakable loss to debtors from the alteration to a gold standard. Such an alteration would stop the further depreciation of the Indian currency. If, thereby, debtors would be grievously injured, then they must have greatly benefited from the great depreciation of silver in the past five years. But (*a*) if the debtors have thus benefited, creditors must have lost immensely. On the enormous amount which debtors of all classes and kinds, in India, owe to creditors, the loss to the latter should have been of frightful magnitude. (*b*) On the other hand, debtors should have been eased under their burdens. The state of the country, however, shows no trace of these results. On the contrary, the unreality of any benefit to debtors from the great depreciation of silver is evidenced by the enquiries of Local Governments, and of the Deccan Ryots' Commission, into the indebtedness of the agricultural classes, and by the enquiry to which the Famine Commission is addressing itself, why the mass of peasant proprietors succumb to the first onset of scarcity prices, and have no reserve of savings against famine.

65. Manifestly, there must be a fallacy in the assertion of injury to debtors, from correcting a depreciation of the metallic currency. The fallacy consists in regarding debtors and creditors in the mass as forming two distinct classes, whereas the bulk are both creditors and debtors, who suffer in their own persons and receipts, as creditors, an injury corresponding to their alleged gain as debtors from the depreciation of silver, so that in the net result they gain only a loss, as will appear on a closer analysis of the facts.

I. The commercial or mercantile classes, for example, of every kind and degree, have to receive on the one side, from their debtors, the depreciated silver wherewith they pay their

debts on the other. If the balance of the account is permanently against any of them, these must sink, and the splendid opportunity, missed by them, of paying their debts with depreciated silver, will not add to their sorrow, unless they be dishonest. On the other hand, those the balance of whose account is permanently in their favour will suffer a loss additional to the diminution of their profits (paragraph 63, sections IV and V).

II. Those, again, not engaged in general business who may have borrowed on the deposit of securities of public or other stocks, or on mortgages, will find poor satisfaction in paying their debts with depreciated silver, which, from some debtor or other, they will have received in the same depreciated state, while their stocks or real property, which had secured the loan, will have absolutely depreciated (paragraph 63, sections VI and VII).

III. Debtors among the numerous classes on fixed incomes, in public or in private service, would resent as jibes the felicitations of any who might congratulate them on paying their debts with depreciated silver; for the general rise of prices, and an increase of taxation, would leave them with fewer depreciated rupees out of their fixed incomes wherewith to pay their debts, while the rate of interest might rise before they were fully out of the wood (paragraph 63, sections VI and VII).

IV. And of the unspeakable condition of the indebted agricultural classes, who may soon be weighed down with taxes from the stupendous loss by exchange, which must rapidly increase, what can we say except that the opponents of a gold currency would deprive these poor people of the means of gradually paying their debts with silver rupees raised to gold value by the closure of the Indian mints against the coinage of silver?

V. On a general survey of the classes of debtors in India, we do not find one that can benefit by the discharge of their debts in depreciated silver.

VI. Foreign debtors to India would no doubt benefit, 1st, by discharging their debt with depreciated silver; 2ndly, by sending yet more of that depreciated metal to India, so putting her into their debt, depreciating yet more her currency, and taking repayment, in their new position of creditors, not in the same depreciated silver, but in goods which represent the higher coinage value which silver still bears in the Indian currency above its value in the West as merchandise. These astute debtors would not suffer any injury from a change of standard, beyond the loss of means of despoiling India, if she stops the further coinage of silver, and thereby regains the means of paying her gold debts abroad with Indian commodities which shall exchange at a fair rate with gold,—that is, at a higher gold price than can ever be attainable with a depreciated and depreciating silver currency.

66. Even those who will not be convinced on any account must admit that these considerations so minimise the fancied injury to debtors that their objection would be turned if, at Government cost, ten per cent. were to be added to the rupee, before, or in the act of, demonetising silver. By this measure everybody's rupee, without any outlay on his part, would contain ten per cent. more silver than before, without its having any effect upon prices, if foreign trade be excluded from consideration; because the *number* of rupees not being increased, prices would be neither lowered nor raised any more than they would be affected if the Government were to replace currency notes printed on paper costing sixpence each note form, by the same number and nominal value of notes printed on forms costing four shillings each. So far, however, as local prices may have been previously rising from the depreciation of the currency, through the incessant influx from abroad of depreciated silver into the mints, the measure would materially check that rise for some time. This would be a perfectly legitimate thing for the Government to do, even under the utmost straining of the rights of debtors.

67. Opinions may differ as to whether ten per cent. need be added to the rupee; the author of the Handbook thinks that the measure is expedient. Some writers maintain that it will suffice to close the Indian mints to the public against the coinage of silver; others, that, in addition, a gold standard should be declared with liberty to the public to have gold coins struck at a certain relative value with gold. Under both methods, the existing silver rupees would purchase more grains of standard silver bullion than the quantity thereof which they contain; while, under the second method, gold coins would circulate in the three presidency towns, and might gradually permeate into the interior. The writers who hold these views overlook that, though positive danger could be only dogmatically affirmed, yet certain risks, which it must be desirable to guard against, might attend any very great disparity in India between the quantity of silver in the rupee, and the greater quantity of silver bullion which a rupee would purchase. In Europe the sellers of silver bullion do not deal with those among whom the over-valued silver coins in England and in the countries of the Latin Union circulate. They exchange their bullion for gold, or for a credit, at the market price of silver, in the banks of England and France. In India, however, if the mints were closed against silver, imported bars of silver would be turned into rupees by selling them in the interior, where the mass of the circulation would consist of silver rupees. The fact would thus be brought home to the people that their rupee had come to represent the thing it is not; that if, from confiding trust in the "sirkar," or government, they melted ten rupees to be turned into an ornament, they would get only 1,650 grains; whereas, if they bought silver bullion with the same rupees, they would get, probably, 2,000 grains of pure silver: thus, there might arise a general distrust of the silver currency. We have been hammering away, since 1875, at this silver question, and many of us do not understand it yet; the apprehension of it by the ignorant masses would not be helped,

and the distinction between the values of silver as bullion and as coin, however palpable, might not be made acceptable by their acquisition of rupees containing nearly one-fifth less silver than the quantity of bullion which the rupees can buy.

68. To this general distrust of the coin, among honest users of the currency, must be added the facilities which the new market, all over the country, for silver bullion cheaper than silver rupees, would afford to coiners for passing off spurious silver coins of full weight and standard purity. The risk may not be very great, as shown by the experience, at the present time, of England and of the countries of the Latin Union; but still there would be a risk, and in India, where silver rupees would circulate among millions of people, and in transactions of probably 100 rupees and under, it would be prudent to guard against the risk.

69. The putting of ten per cent. more silver into the rupee, and the levy of a customs duty of ten or twenty per cent. on the importation of silver bullion, would provide a double security against the risk of spurious coinage, and of discredit to the silver currency; at the same time the addition of ten per cent. of silver to the rupee would help the eventual removal of the customs duty on silver, and would also remove the last shred of the objection that a change of standard might injure debtors.

CHAPTER XII.

A GOLD CURRENCY FOR INDIA.

70. We have ascertained that—

I. Silver has greatly fallen in value since 1874 beyond all former record in history.

II. All the expectations formed in 1875 and 1876 that the price of silver might rise again have proved illusory: the price has fallen fully nine per cent. since January 1876.

III. The displacement of silver by gold, as principal currency, through the increase of gold supply, and the great increase and diffusion of wealth since 1848, have led to the virtual demonetisation of silver, and to its considerable fall in price; so that there is no hope of its again rising. The fall in price must continue, till silver shall have been divested in India of all the value, beyond its worth as merchandise, which it had acquired by the extension over the Western world of a coinage demand for it which has ceased.

IV. Silver has lost the chief attribute of a principal money now that its coinage value or purchasing power in India is greater than its value abroad; it has become precisely the same as paper money, which, while suited for internal trade, is useless for foreign trade.

V. Meanwhile the elevation of the coinage value of silver in India, above its worth as merchandise in the West, is flooding India with a depreciated currency; is lowering the gold price abroad of her exports, and so necessitating ad-

ditional exports for paying the old amount of indebtedness; is increasing taxation in the country, and the amount of loss by exchange, to the further progress of which, even beyond 5 millions sterling a year, there is no limit, if the Indian mints be not closed against the coinage of silver.

VI. Gold has not risen, silver has fallen in value; nor will the value of gold rise, and of India's gold debt to England increase, by the demonetisation of silver, which will continue, as subsidiary currency, to act upon prices with the same efficiency as gold.

VII. The moral objections to an alteration of the standard of value, from the cheaper to the dearer metal, are visionary and unpractical; having no real foundation, they have been disregarded by every civilised country: 1st, in the supersession of copper money by silver; 2nd, in the recent supersession of silver by gold.

VIII. A government, if it sees that the currency of its people is depreciating by an influx of depreciated metal, actively abets the depreciation if it keeps its mints open for incessant additions to a currency already redundant: its responsibility in the matter is just the same as if it deliberately issued in excess an inconvertible paper currency; only its position is unhappy, for by issuing inconvertible paper money in excess it would, for a time, obtain a helpful, though in the long run a disadvantageous, addition to its ways and means; whereas by helping to depreciate the silver currency, with the result, as some vainly think, of benefiting debtors, itself being the principal debtor, it is only increasing its loss by exchange.

IX. The evils mentioned in V, and the pressure of a depreciated currency on the income of the masses and on every kind of industry, would be averted by stopping the further depreciation of silver, and restoring the value which it has lost since 1871. The principal countries in Europe have not remained passive, but have stopped a smaller

injury to themselves, by placing the coinage of silver under restriction.

X. The revenues, including the land revenue of India, have reached their highest (Handbook, Chapter XI); it is the hardest problem in Indian finance to devise a new tax for India; it would be a political disadvantage (a political blunder is considered worse than a crime) to increase the burden of taxation, with Russia advancing towards India; and the rocks ahead in Indian finance, *viz.*, an increasing charge for interest on debt, an inevitable growth of military expenditure, an insecure opium revenue, and a stationary income, are perilous enough to task the utmost skill and courage of India's administrators, without their courting the fatal danger of yet two or three millions sterling more of additional loss by exchange.

71. That something should be done at once to relieve India's finances, and avert stoppage of her material progress, is clear. The remedies which have been suggested are—

I. The closure of the Indian mints against the coinage of silver for the public.

II. In addition, the coinage of gold at a fixed relative value with silver, but without declaring gold a legal tender.

III. The declaration of a gold standard, without the introduction of gold coins as legal tender.

IV. The adoption of a gold currency for India, and the demonetisation of silver,—

(*a*) gradually, as in the course of years gold accumulates in the circulation;

(*b*) by special measures, such as those recommended in the Handbook.

72. We, being of sane mind, agree with everybody, though nobody agrees with the Indian Official;—that is, our views form the synthetical whole of the first three fragmentary truths, and more. All will concur in asking for the first measure: in turn, its special advocates should also ask for the

second; for though some of them have a very strong opinion that the second is superfluous, and would be quite inoperative, because the people of India are too poor to use gold coins, yet for that reason they would do no harm to themselves or to their theory by joining, with scornful pity, the advocates of the second measure; on the contrary, the declarations of the Government of India in 1876 show that, unless the advocates of the first remedy will also ask for the second, the Indian mints will not be closed against the coinage of silver.

73. Holland having, with excellent results, led the way in the adoption of the second remedy, and all other European mints having been closed against silver, India would have nothing to fear in following the lead of the greatest financial abilities in Europe; whilst it might be rash to set at nought the counsel which they tender in the expressive form of their own example.

74. Having advanced thus far, all might concur in also asking for the third remedy of a gold standard; for, with the Indian mints closed against silver, and with the necessity of India's paying some 20 millions sterling a year of gold debt, practically she would have a gold standard, even if gold coins were not to be struck in Indian mints at a fixed relative value with silver; for the local prices of Indian exports, which regulate prices in India generally, are determined by their gold price in London, simply modified by the exchange between the rupee and sterling, *plus* charge for freight, &c. The Government of India might safely declare a gold standard, at least experimentally; for, should two or three years' experience show that the measure was ill advised, it would be easy for the Government to retrace its steps by withdrawing gold coin with silver;—there would be no difficulty in disposing of the withdrawn gold coin without loss. France, with her silver mints closed, and with a virtual gold standard, poses in an expectant attitude which has fixed the attention of Europe. India would gain equal admiration, and a saving of three

millions sterling a year besides, if in, the manner here suggested, she were to assume the same graceful attitude of expectancy. In her it would have the additional charm of modesty; for at present she is making herself conspicuous, in the society of commercial countries, by acting differently from the best set in Europe. For a young Indian girl this is very bad form, and dangerous; and her guardians should look to it.

75. Those who, while retaining silver as the sole currency in India (though it cannot be exported to Europe without lowering the price of silver and depressing the exchange), would be content with simply stopping the coinage of silver in India, do not see that their wisdom is no better than that of adding a new form of inconvertible silver money (inconvertible in foreign trade) to a universally reprobated form of inconvertible paper money. They overlook the consideration that every country should be able to correct an adverse exchange by exporting the metal which it receives from abroad into its currency; and, together with the advocates of the second and third remedies, they overlook the risk of discredit to the Indian silver currency, and of the issue of spurious silver coin of full weight and standard purity, from not adding (say) ten per cent. to the silver currency in India (paragraph 69).

76. The risk is, of course, not comparable to that of the inevitable financial ruin of India if the coinage of silver be not stopped, and a terrible increase of loss by exchange averted. At the same time it would be prudent if the Government, after declaring a gold standard, were to re-coin the rupees which they receive in Calcutta and Bombay, with ten per cent. more silver, before re-issuing them. The re-coinage, thus, would be gradual. Mr. Cave has argued that this would be a virtual depreciation of the rupee; but he has overlooked the sure effect of a stoppage of the further coinage of silver in raising the existing silver rupees to gold value, precisely as the existing thaler currency of

Germany rose to gold value, in the ratio of $15\frac{1}{2}$ to 1, when Germany stopped the further coinage of silver.

77. It would not militate against the issue of these heavier rupees at nominal par with the existing silver rupees—which latter would have eleven per cent. less silver—that possibly the heavier rupees would be consigned to the melting pot as fast as they are issued. The withdrawal of part of the existing silver currency in this manner, at a loss to Government of only ten per cent., would hasten the time when that silver currency could be reduced to tokens. The exportation of the heavier silver rupees to the Persian Gulf by pilgrims to Mecca, and by traders to Afghanistan, Thibet, and Nepal, and through British Burma to Ava and China, also to the mints of the native states in India, would further promote, through the re-coinage, a sensible withdrawal of that part of the existing silver currency which must be superseded by gold.

78. In this manner the difficulty which Germany has experienced in getting rid of her surplus silver currency would be gradually overcome, in India, at no greater loss than ten per cent. on the amount that may be withdrawn.

79. Colonel J. T. Smith and others consider that the introduction of a gold currency into India may be gradual (paragraph 71, section IV*a*), pretty much in the same way as Holland is acquiring gold for the change from her silver standard, *viz.*, by simply stopping the coinage of silver and allowing the coinage of gold, which, with an improved exchange in favour of India, would flow into the Indian mints. No harm could come of trying this; and the Government of India, if not prepared to venture on a more thorough measure such as that suggested in the Handbook, might safely adopt this course.

80. But there are good reasons why the more thorough measure of directing a stream of gold to India by special arrangement should be attempted, *viz.*, by stopping the

Council drafts on India for (say) three years, and enabling the Secretary of State by law to raise funds for Home charges by bills · receivable as revenue by the English Government, and bearing interest at a rate to be adjusted quarterly or every sixty days.

81. Two authorities look with disfavour upon borrowing in England for India: 1st, the Secretary of State considers that as such borrowing adds to the Home charges, by increasing the amount of interest payable on his sterling loans in London, it helps to depress, eventually, the rate of exchange for his Council drafts. If a gold currency be introduced by a transition from the existing silver currency at a relative value of 15½ to 1, and with a seignorage* of one per cent. on the coinage of gold in the Indian mints, the rate of exchange would be above 1*s.* 11*d.* per rupee, owing to the great demand for bills on India. An increase of the amount of interest on the India sterling loans would not make any appreciable difference in this rate. Furthermore, with a gold currency in India, sovereigns and Bank of England notes could be made legal tender in India, and interest on the India sterling loans could be paid in India on the portion of the stock which, at the option of holders, may be transferred from the English to the Indian registers. While the latter arrangement would reduce the amount of interest payable in England, the accumulation of Bank of England notes in Indian treasuries would provide an inexpensive means of remittance for another portion of the Home charges. In India, currency notes, against which silver is paid into currency offices of issue at Allahabad and Lahore, are payable at those offices, and at

* In India the seignorage is levied without reducing the quantity of pure silver in the rupee. Thus, by law, a rupee contains 165 grains of pure silver. A person carrying silver to the mint gets a rupee comprising these 165 grains, but he has to pay separately 3·3 grains as seignorage at 2 per cent. The seignorage on gold might be levied on this method, thus establishing an intrinsic par between gold rupees and sovereigns, irrespective of seignorage.

the principal office in Calcutta. Two and a half millions sterling of notes have thus been paid in Calcutta, in a year, from the silver currency reserve, against silver deposited for those notes at Allahabad and Lahore. The Government treasury at Calcutta paid this amount to the currency reserve in Calcutta, and corresponding amounts were paid by the currency offices at Allahabad and Lahore to the Government treasuries at those stations. Precisely in the same way, the Government of India would present Bank of England notes to Agencies of the Bank of England in Calcutta and Bombay, and the Secretary of State would be credited with a corresponding amount by the Bank of England. A few shillings for a telegram would suffice for a remittance, at par, of half a million sterling.

82. Parliament, again, is jealous of the raising of Indian loans in England. So far as the objection is to borrowing for expenditure, it would not apply to the borrowing of 15 millions sterling a year, for three years, for the Home charges of the Indian Government, if a corresponding amount of rupee debt were to be discharged in India. So far as the objection applies to the investment by Englishmen in loans to the Indian Government, lest the British Government should have to take up the loans, for its British-born subjects, in the event of India passing away from British rule, it is not of much account. If that were to happen, which God forbid! it would not be without a vast expenditure of money and blood by England, which would leave her exhausted and unable to accept, even for British-born subjects, a debt for which she is not liable. This very remote risk is paid for in the higher interest allowed on the India sterling loans, compared with the interest on Consols. Also, the incurring of this remote risk would be but a small return to India for the many millions sterling which England has added to India's debt by charging Indian revenues with expenses such as those of the Afghan war, and by Parliament having mismanaged the

arrangement of the sinking fund for extinguishing India's capital debt to the proprietors of East India stock. Any refusal by Parliament, from this petty feeling, of India's borrowing in England, for the purpose here suggested,—that is, for a reform of the Indian currency which is the duty of Parliament, more than of the Indian Government (Handbook, page 75) would be simple meanness; however, as explained in paragraphs 85 and 87, the borrowing in England would be accompanied by a transfer of India sterling loans from the English to the Indian registers, so that but a small part of the 45 millions which the Secretary of State might raise in three years for his Home charges, would be an addition to the amount of Indian debt now held in England.

83. Hence, 15 millions sterling a year of Council drafts might be suspended for three years, the Secretary of State for India being allowed by Parliament to raise funds in the manner stated in paragraph 80. With the 180 millions of rupees per annum, which would be set free in India out of the yearly income of the Indian Government, there could be paid off 150 millions a year of rupee debt; and other 30 millions of rupees could be spent, as now, on productive public works, in prevention of fresh borrowing in India. This would create yearly a void in the Indian loan market for an investment of 150 to 180 millions of rupees. The price of 4 per cent. rupee paper would rise above par; rupee securities now held in London would be transferred to the Indian register; India sterling loans held there would be similarly transferred; and thus the net increase of the amounts held in London of Indian loans, both rupee and sterling, would be perhaps not one-third of the 45 millions sterling of *quasi*-exchequer bills to be issued in England by the Indian Secretary of State for his Home charges.

84. With respect to the remittances between England and India, the result would be that the greater part of the discontinued Council drafts would be compensated to English remit-

ters by India purchasing back Indian securities that are held in the London market; but full 15 millions sterling a year of India stocks would not thus be bought back; the price of the stocks would rise in England, detaining a portion there; and to that extent the deficient remittance to India would be supplied by an importation into the country of gold and Bank of England notes.

85. With respect to India loans, both rupee and sterling, the result would be that their price would rise both in England and in India, and the 17 millions sterling of India 5½ per cent. stock, which the Secretary of State has the option of redeeming in July 1881, could be converted into less than 4 per cent. stock.

86. Thus, Government would save: (1st) difference between four per cent. a year of interest on 45 millions sterling of rupee loans to be paid off in India, and the smaller interest (between two and three per cent.) on the Secretary of State's *quasi*-exchequer bills of corresponding amount for his Home charges; (2nd) two per cent. a year on the conversion of 17 millions sterling of 5½ per cent. stock; (3rd) a loss by exchange of three millions sterling a year, besides stoppage of further loss. In all, the yearly saving might amount to 3½ millions, or, for five years, to (say) sixteen or seventeen millions. This would cover loss from withdrawing surplus silver currency, and adding ten per cent. silver to the remainder.

87. Without the cessation of Council drafts for three years, the void in the English and Indian markets, among India stocks, rupee and sterling, through the discharge of 45 millions sterling of rupee loans, could not be created; that is, the saving of interest from the conversion of the 5½ per cent. India stock into 3½ per cent., and from the substitution of 45 millions sterling of *quasi*-exchequer bills, bearing low interest, for a corresponding amount of rupee loans, could not be effected. On the other hand, in securing these advantages through the cessation of Council drafts for three years, an

extra amount of gold, or of Bank of England notes representing gold, would be obtained for India, and to that extent the completion of the change to a gold standard would be hastened,—with a considerable permanent saving, of which the portion to accrue from the conversion of 5½ per cent. stock must be realised in this manner by 1881; otherwise, in the ordinary way, the stock may not admit of conversion even into 4 per cents., the rate of interest on rupee loans having risen to 4½ per cent., and the purchase of the East Indian Railway falling due within that period.

88. Thus, Colonel J. T. Smith and the author of the Handbook agree in the following measures for the introduction of a gold currency into India, *viz.*:—

I. Stoppage of the coinage of silver.

II. The declaration of gold as legal tender.

III. The coinage of gold for the public, who would bring it to the Indian mints in the ordinary course of the trade with the West. The author of the Handbook would go further, *viz.*,—

IV. Cessation of Council drafts on India for three years, for obtaining an extra amount of gold for the coinage reform, and for permanently saving an amount of interest charge so greatly exceeding interest on the cost of putting 10 per cent. more silver into the Indian silver currency, and on loss in selling surplus silver, that the net result would be a saving of two and a half millions sterling a year.

89. All the previous steps of our argument having been established, there can be no difference of opinion as to III and as to the first half of IV, whereby above half a million sterling a year would be saved in the charge for interest on debt. Some may doubt the necessity of an expenditure of perhaps half a million sterling a year for putting ten per cent. more silver into the subsidiary currency; but as that currency would be the currency of more than 100 millions, as the additional silver would allow the legal tender limit for the subsidiary

coinage to be maintained at 100 rupees, as it could be provided out of savings, and as it would be prudent to guard against the risks mentioned in paragraph 67, the arrangement is at least highly expedient, though it be not indispensable to the coinage reform.

90. The silver coinage in the Indian mints in 1876-77 and 1877-78 amounted to 22½ millions sterling; that in 1878-79 may be at a lesser rate. With a gold currency, which would raise the exchange in favour of India, the gold to be acquired in the ordinary course of trade might be 5 millions sterling a year, and the extra amount to be acquired by the cessation of Council drafts on India might be another 5 millions; total 10 millions a year, or 30 millions in three years. In all, the total addition to the coinage in the six years from 1876-77 might amount to 64 millions, against 58 millions in the six years from 1861-62 to 1866-67, which were so influential in raising prices to a point that depreciated silver in India beyond the depreciation of gold in Europe. To avert a like general rise of prices from the large additions of gold to the currency, it might be expedient that, for every gold coin issued, its equivalent of silver rupees should be withdrawn. The author of the Handbook shows how this might be done, by working the coinage reform with the Department of Paper Currency. For details we refer to the Handbook. It suffices here to indicate that if the withdrawal of equivalent silver coins must accompany the issue of gold coins, the means of effecting this exist.

91. Special withdrawals of silver coin in this manner would throw on the Government's hands a large amount of silver which could only be gradually sold; pending sale, there would be a loss of interest. The sales would be promoted by a heavy duty on the importation of silver bullion, such as, in 1876, was reported by the Chamber of Commerce, Calcutta, to be practicable. The author of the Handbook points out how the surplus silver could, meanwhile, be employed in

relieving the indebtedness of ryots in certain selected districts where their condition is very bad; Government first compromising the exorbitant demands of the creditors, and lending to the ryots, on six per cent. yearly interest, the money for discharging the remainder of the debts. The amount of usurious interest which the ryots now pay to the money-lenders on the gross amount of their debt, would, even after some abatement for immediate relief to the ryots, suffice to extinguish the Government's advances, both principal and interest, in a few years; and, meanwhile, the holdings of the ryots, which have a market value that would improve with this measure, would fully secure the Government. As pointed out by the author of the Handbook, the ryots, from being borrowers, would become investors in the District Savings Banks which the Government has established; that is to say, their savings and the repayments of their debt would replenish the funds for extending the same measure of relief to other districts. The final result would be, that an amount of silver equal to the savings of the ryots, as accumulated in the District Savings Banks, would be withdrawn from circulation through the simple receipts, or paper acknowledgments, issued by Government to the ryots for those savings. We need not enlarge here on details; they will be found in the Handbook, and they indicate how a beneficial administrative reform,—the acquisition by Government of interest to an amount exceeding the interest that might be lost on surplus silver pending its sale, and the final withdrawal of that silver, with mere paper, through the repayments and savings of the disenthralled ryots,—would be secured by a measure which is already worked with success on a small scale, in giving advances to cultivators for digging wells, making improvements in cultivation, &c. The Russian Governor of Turkistan has found it politic to conciliate his Mahomedan ryots by cancelling by a decree their indebtedness to Hindoo creditors. Can the Government of India

afford to despise the honest method of extricating ryots from their indebtedness which is here suggested?

92. A passing reference may be made, also, to the suggestion in the Handbook, that by issuing to the ryots annual advances for their yearly expenses of cultivation, in the form of district currency notes payable in silver, as distinguished from the provincial currency notes which would be payable in gold, a further amount of silver coin, to the extent of the notes that may remain permanently outstanding, would be practically withdrawn with paper. Analogous measures for the withdrawal of the French silver currency with paper have been in operation in France for about five years, with the simple difference that there the details have been managed by the Bank of France (Handbook, Appendix II, pages 205 and 206, *a*, *b*, *c*, and page 211, iv.), while in India the Government, to its rights as landlord, must add correlative duties as banker to its tenants, in accordance with the custom of the country.

93. In India, where above a hundred millions of people must continue the exclusive use of silver currency, and where, by putting ten per cent. more silver into the rupee, its limit of legal tender as subsidiary currency could be kept at one hundred rupees, the surplus silver to be withdrawn from circulation would be small, compared to the proportion of withdrawal which a similar alteration from a silver to a gold standard would involve in the West. The loss upon the sale of this silver, and the cost of putting ten per cent. more silver into the remaining silver currency, can, even in the gross amount, be provided, as we have seen, without additional charge upon the revenues of India. Nay, the savings indicated in paragraph 86, as available for neutralising these items of expense, would not be required for that purpose, but would probably accrue as pure gain, even during the three or four years of transition to a gold standard (as they certainly would thereafter), because the sale pro-

ceeds of the silver to be withdrawn with paper would cover both these items of expense.

94. The gold which would be needed for India's coinage reform would be acquired gradually in the course of three or four years, at the rate probably of 10 millions sterling a year. It has been seen in a previous chapter, and it is demonstrated more fully in the Handbook (Chapter VII, and pages 174 to 177), that this amount could be very well spared from the yearly gold production of 23 millions sterling; because, 1st, the countries in Europe which had to alter their standard have acquired all the gold which they needed for the purpose, and more; 2ndly, the United States have acquired sufficient gold for resuming cash payments, gold being even now freely paid in daily transactions; 3rdly, the percentage of wear and tear of gold is infinitesimal; 4thly, its use for ornaments is diminishing, while that of silver is increasing; 5thly, the principal employment of the large yearly gold supply from 1853 to 1877 was for substituting gold for silver in the currencies of the Western world, not in adding to the total metallic currency, the use of which has been greatly economised by the multiplication of various forms of paper money, by the growth of international paper currency in the form of stocks of the various public debts, and by the increase of Council drafts on India from three millions sterling a year in 1848 to 16 millions sterling in 1878. On these several grounds, one-half of the yearly gold supply of 23 or 24 millions sterling can be readily spared for India for a few years,—not to mention the supply which France and Germany must liberate out of excessive accumulations, much beyond their actual needs.

95. The feeling in England that there is not enough of gold for the Western world is due entirely to the extreme tension of the system of credit and currency in the United Kingdom. This is shown by the author of the Handbook in chapters which have not been answered, and which challenge reply. He incautiously strayed beyond his immediate subject of

gold and silver in suggesting remedies for that state of tension which we need not discuss. But enough has been established by him to show that no conceivable amount of yearly production of gold will enable England to avoid periodical drains of gold until the causes, unconnected with gold supply, which have produced that tension, are removed.

96. There were three lions in the way of the adoption of a gold currency for India; *viz.*, an insufficiency of gold in the world; the cost of the operation; the difficulty of selling withdrawn silver coins. These have been slain.

97. The present price of silver, 50 pence per ounce, gives a relative value of silver to gold of nearly 19 to 1; it has been assumed in paragraph 81 that the transition from silver to gold valuation would be made in India at 15½ to 1, or the proportion which obtained in Europe before the great depreciation of silver. It has been shown that debtors would not be injured by this valuation, while it would correct the disorder in Indian finance, and alleviate the burden of taxation which the depreciation of silver has produced. There are rocks ahead in Indian finance: a land revenue which has nearly reached its limit for many years to come, and which is perhaps imperilled by extensive indebtedness of the agricultural classes, an insecure opium revenue, a probably increased military expenditure, and expensive famine problems, in a country where English financial ability and Indian administrative experience, both of the best kind, have failed to devise a new tax for India. There is enough in this to awaken the gravest concern, and to engross the anxious thoughts of the rulers of India, without their courting the additional difficulty of a yearly loss by exchange which may soon amount to 5 millions sterling; that is, with silver at 46 pence an ounce. Its present price is 50 pence, against 57¾ pence in January 1877, and about 54 pence from April 1877 to April 1878.

CHAPTER XIII.

ENGLAND'S CONCERN IN THE SILVER QUESTION.

98. England cannot look with unconcern on the dangers to India from the continuance there of a silver currency, which means heavy additional taxation,—that is, perilous discontent such as would strengthen Russia's hands for the attack, and increase England's sacrifices and expenditure for the defence of British interests in India. England's principal industries are also concerned in this silver question. In 1877 the exports of cotton piece-goods to Egypt and India (almost entirely India) were two-fifths of the total exported from the United Kingdom. The trade was a losing one ;—assuming, however, a profit of 4 per cent. on the total value of the cotton goods exported from the United Kingdom to all parts of the world, that profit, if thrown on the exports to India, requires a return of ten per cent. But the loss by exchange, below 2 shillings per rupee, which is incurred in withdrawing from India the sale proceeds of the cotton goods sold in the country is, say, 16 per cent., compared with the similar loss, say 4 per cent., before the depreciation of silver. There is thus an actual loss of at least 12 per cent. ; and this is sustained, not on the shipping value of the goods as exported from England (upon which, as constituting the capital outlay for providing the export, the percentage of profit would be struck), but on the larger amount of sale proceeds which covers freight, agency charges,

brokerage, and profit. Now, we have seen that Manchester's profit of 4 per cent. on her total business is equal to a profit of 10 per cent. on her Indian business. When, therefore, she loses in exchange between the rupee and sterling, more than 12 per cent. in withdrawing, not bare profits, but the entire sale proceeds of her Indian venture, she, on her whole business, gains a loss; and this has been the general character of the cotton industry for some time.

99. On the surface, the view here presented may seem fallacious, inasmuch as 4 per cent. profit on Manchester's actual current outlay in the present day, for her total exports, is set against the so-called loss of 12 per cent. on the remittance home of the sale proceeds of the Indian venture, though that *quasi*-loss may be more correctly described as the difference between the former and the present cost of remitting those sale proceeds. In the substantial result, however, the difference is real loss, because we know that prices of cotton manufactures have fallen, since the late depreciation of silver began, in greater proportion than the charges of production; and further, that the cost of withdrawing to Manchester the sale proceeds of her ventures to other countries has similarly increased. (The excess of imports into England over her exports is, in great measure, a result of the adverse exchange against other countries.) Among the causes of the strained relations between masters and workmen in Manchester, the depreciating silver currency of India is the most powerful.

100. The injury to Manchester concerns more interests than those of her manufacturers: it is a national calamity; the beginning perchance (if India persist in her silver currency to her own undoing) of the decline of England's commercial supremacy; for the loss by exchange, on the withdrawal of the proceeds of sale of cotton goods exported to India, means not simply diminished income to manufacturers and workmen, but also inability to reduce the price of Manchester fabrics in

protected foreign markets. Manchester's actual loss is aggravated by the right of foreign markets slipping from her because India *will have* her silver currency, and so Manchester *must not* reduce the price of her goods.

101. Mr. Bagehot wrote, amid general approval, of the facility with which commerce would adjust its exchanges to the continual reductions of the price of silver. Manchester's bitter experience has been different from the speculations of theorists; and her doctrines of free trade are set at nought by the protection to the cotton industry in India which the depreciation of silver, not the Indian import duty on cotton goods, has afforded. Only since that depreciation has the competition of Indian industry caused Manchester any concern. Her cotton lords should agitate for a gold currency for India.

102. And English landlords should do likewise; or else their rents must fall, from the growing competition of Indian with English wheat—a competition which the low exchange of the rupee with sterling has alone rendered possible, and which, on a further fall in that exchange, may become formidable. The purchasing power of silver in the West was, 1stly, direct, through its coinage in European mints; 2ndly, indirect, through the purchase in India and the sale in Europe of Indian commodities. The countries on the Continent destroyed the first-mentioned purchasing power, when it threatened to depreciate their currency; but, being more agricultural than manufacturing, they are not hurt in their own markets, but only in the English market, which they cannot control, by the additional Indian exports that are stimulated by the bounty which the depreciation of silver affords. England is differently circumstanced; it is not enough for her that the London mint should be closed against the coinage of silver; it is essential to the prosperity of her agriculture, and through it of her manufactures, that the value of English agricultural products, to which rents have been adjusted,

should not be unnaturally reduced through the factitious stimulus of this new bounty on Indian exports, arising from the depreciation of silver. In other words, English landlords should unite with the cotton lords in constraining the Secretary of State for India to avert, by a gold currency, evils which are not a whit less real because he does not see them.

103. Mr. Fawcett has lately reproduced the arguments for free trade *versus* protection, for the benefit of foreign countries; but the facts relating to the protection of industry in foreign countries furnish also a lesson of wisdom and warning to England, of which she must take heed. From the English point of view, the arguments for free trade are that England has special advantages over other countries in (1) her immense cash capital, (2) her machinery, (3) fuel, (4) mineral resources. By reason of these, her special advantages, it is best for other countries that they should buy her manufactures instead of making their own, she in turn reducing the area of her arable land and buying more of their corn. Partly from the force of circumstances, partly from foreign countries not understanding free trade, domestic manufactures have sprung up in those countries. If this were all, the nations might yet revert to the use of English manufactures; unfortunately, however, English capital has become cosmopolitan, and has betaken itself to foreign countries to invigorate their domestic manufactures. Thus, the first of the four special advantages above enumerated, which made England the best workshop for the world, is passing away; similarly, the second, on the advantage of superior machinery, is also ceasing for England by the improvements of machinery in the United States and France. And in the degree that more of English capital is invested in manufactures in foreign countries, and to the extent that the use of machinery extends in those countries, the agricultural districts in each foreign country depend more upon their domestic, and

less upon English, manufactures. In this manner, each foreign country which is invigorated by English capital, though still unable to compete with English manufactures in other foreign countries, becomes more and more independent of English manufactures. The condition of the bargain which free trade struck with foreign countries, *viz.*, that England would take more of their corn if they would take more of her manufactures, has thus been violated by those countries; and if England desires to retain her commercial supremacy, she must modify her obligation under the bargain, by taking less of the agricultural products of other countries, and taking more from her own agricultural industry. This, however, cannot be done without a free and liberal application of capital to land in England, such as may nearly double its agricultural produce. An incidental result of the measures for thus doubling the produce of English agriculture would be a great improvement of the agricultural classes,—that is, a considerable extension of the Home market for British manufactures,—that is, the detention in the United Kingdom of a large amount of capital which now goes abroad, and which, in its exit, causes a drain of gold that creates, in the City, an insecure feeling that there is not enough of gold in the world.

104. This yearly outflow of capital from England is closing foreign markets against English goods, and depressing thereby the condition of the working classes, both urban and rural, by diminishing the superiority of British over foreign labour, and lessening the fund from which their wages are provided. The social danger involved in these results cannot be averted by politico-economical platitudes, or by the statement that capital must be free to go where it pleases. It is the business of English statesmen to bring about economic conditions which, without directly interfering with the outflow of capital, will detain more of it in the country. How this may best be done is a question beyond the range of the present enquiry,

though suggestive papers on the subject will be found *in the* Handbook. But this much is clear, that the remedies include an invigoration of the agricultural and manufacturing industries of the kingdom, and that these are being seriously injured at present by the depreciation of silver, and the retention in India of a silver currency.

APPENDIX I.

Relative value of silver to gold, and monthly price of standard silver in London in each month from 1873 to 1878.

	1873.	1874.	1875.	1876.	1877.	1878.	1879.
	Relative value of silver to gold.						
January	15·76	16·19	16·45	17·08	16·36	17·54	
February	15·76	16·05	16·41	17·66	16·50	17·34	
March	15·77	15·86	16·50	17·82	17·22	17·35	
April	15·78	16·01	16·47	17·57	17·41	17·44	
May	15·81	16·07	16·55	17·81	17·40	17·64	
June	15·87	16 05	16·88	18·21	17·46	17·74	
July	15·89	16·15	16·97	19·26	17·43	17·93	
August	15·98	16·26	16·92	18·11	17·41	17·99	
September	15·99	16·31	16·74	18·25	17·33	18·23	
October	16·05	16·34	16·74	17·95	17·12	18·49	
November	16 26	16·26	16·75	17·49	17·29		
December	16·17	16·40	16·89	16·71	17·47		
Average ...	15·92	16·16	16·69	17·83	17·20		
	Price of silver in pence per ounce standard.						
January	59·83	58·24	57·32	55·21	57·64	53·76	
February	59·83	58·75	57·46	53·39	57·15	54·36	
March	59·79	59 45	57·15	52·91	54·76	54·35	
April	59·75	58·90	57·25	53·67	54·14	54·06	
May	59·64	58·68	56·97	52·94	54·20	53·46	
June	59·41	58·75	55 86	51·78	53·70	53·15	
July	59·34	58·39	55·56	48·96	54·09	52·57	
August	59·01	57·99	55·73	52·07	54·14	52·41	
September	58·97	57·81	56·33	51·67	54·41	51·73	
October	58·75	57·71	56·33	52·58	55·08	51·00	
November	57·99	57·99	56·29	53·91	54·52		
December	58 31	57·50	55·83	56·43	53·97		
Average ...	59·23	58·35	56·50	52·88	54·82		